Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel ... IS3.50	S.Arabia ... Rs7.00
Belgium ... BFr48	Italy ... L1600	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr9.00
Egypt ... E£2.25	Lebanon ... $L125.00	Switz ... SFr2.20
Finland ... Fmk7.00	Lux ... LFr48	Taiwan ... NT$65
France ... FFr6.50	Malaysia ... Rin4.25	Thailand ... Bht50
Germany ... DM2.20	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr100	Morocco ... Dh6.00	Turkey ... L500
Hong Kong ... HK$12	Neth ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... NKr10.00	USA ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,431 Thursday January 7 1988 D 8523 A

Saudi expatriates breathe sigh of relief, Page 12

World News

US support for Afghan rebels reaffirmed

The Afghan people had the full support of the US in their battle to rid themselves of Soviet occupation, US Under-Secretary of State Michael Armacost said in Islamabad. Page 4

In Moscow, Soviet Foreign Minister Eduard Shevardnadze was quoted as saying that Moscow hoped to withdraw its troops from Afghanistan in 1988 and conditions for this were auspicious.

Thatcher praises Moi

British Prime Minister Mrs Margaret Thatcher ended her three-day visit to Kenya by paying tribute to President Daniel arap Moi. But she gave notice of her intention to reaffirm her opposition to sanctions against South Africa when she meets President Ibrahim Babangida of Nigeria in Lagos today. Earlier story, Page 4

Iran calls up doctors

Iran called up doctors, dentists and para-medics for a month's service at the war front with Iraq.

Pravda accuses US

The Soviet Communist Party newspaper Pravda accused the US of undermining trust between the superpowers with tests of laser weapons. Page 2

Farm credit rescue

President Ronald Reagan signed into law a $4bn rescue bill for the troubled US farm credit system, establishing a secondary market for farm mortgage loans. Page 3

UN helicopters fired on

Christian militiamen shot at two UN helicopters over Beirut port, and security sources said several ships left the port fearing it might be shelled by Druze militia after a Soviet embassy official told two Soviet vessels to leave.

Polish energy crisis

Trains, buses and delivery trucks ground to a halt as Poland faced a growing shortage of diesel fuel – and industry and agriculture were threatened by insufficient coal supplies.

N-waste inquiry

West Germany and Belgium agreed to set up a joint commission to trace up to 2,000 barrels of Belgian nuclear waste illegally transported into Germany. Commission enters row, Page 2

Help for fishermen

The EC said it was giving about $120m to fishermen of member states to help them improve their fleets. Spain – with the largest fleet in the Community – would receive more than a third of the aid.

Minister charged

A deputy Malaysian minister, a politician, and another board member of a co-operative were charged in Kuala Lumpur with misappropriating 1m ringgit ($250,000) of its funds.

$36m food aid

The World Food Programme said it would provide food, worth $36.6m for drought victims and refugees in seven countries, the bulk of it going to Ethiopia and Mozambique.

Baby food shortage

Yugoslavia, suffering a shortage of food for newly-born infants, was forced to feed babies intravenously at one hospital.

Haiti hopefuls

Seven of the 14 candidates registered to contest presidential elections in Haiti this month were barred as unsuitable in the aborted poll of November 29 this year. Page 3

Brezhnev downgraded

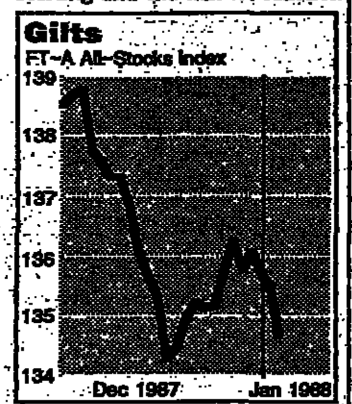
The Soviet leadership took steps to downgrade the memory of former Kremlin leader Leonid Brezhnev, stripping his name from a Moscow suburb, a large square in Leningrad and the city of Naberezhnye Chelny on the River Volga. Page 2

Business Summary

AT&T to take 20% of computer company

AMERICAN TELEPHONE & Telegraph is to take a 20 per cent stake in Sun Microsystems, leading independent US manufacturer of high-technology computer workstations. Page 13

GILTS continued lower in London, with hopes of a new year rally fading as interest remained focused on equities. The fall in sterling and the market reaction ahead of next week's auction of £1bn ($1.8bn) Treasury 8¾ stock pushed the FT-A All-Stocks index down 0.49 per cent to 134.65. Page 26



LONDON: UK equity traders decided to take profits after two successful sessions and the FT-SE 100 index, which had bounded ahead at first, ended 2.5 off at 1,787.1. Page 36

WALL STREET: The Dow Jones industrial average closed 6.30 up at 2,037.80. Page 30

TOKYO: Share prices recorded their second highest one-day rise after the Japanese Ministry of Finance abandoned plans to tighten the rules governing the Tokkin investment funds. The Nikkei average ended 1,215.22 higher at 22,790.50. Page 30

DOLLAR closed in New York at DM1.6470, FFr5.5625, SFr1.34375 and Y129.35. It closed in London at DM1.6495 (DM1.627); FFr5.5775 (FFr5.5025); SFr1.346 (SFr1.3265); Y129.7 (Y126.9). Page 19

STERLING closed in New York at $1.8085. It closed in London at $1.805 ($1.83); DM2.9775 (DM2.9775); FFr10.0675 (FFr10.07); SFr2.43 (SFr2.4275); Y234.0 (Y232.25). Page 19

EDOUARD BALLADUR, French Finance Minister, is to propose to his European Community colleagues the creation of an EC central bank managing a common currency, possibly the Ecu.

VICENTE JAYME, the new Philippine Finance Secretary, yesterday welcomed the US Government's participation in a plan through which Mexico plans to cut its $28.6bn external debt. Page 4

US is seeking formal talks with the EC over a complaint from the American Soybean Association which claims increasing European subsidies have caused US soybean exports to Europe to drop to around $2bn a year from $3.7bn five years ago. Page 4

SENATOR Lloyd Bentsen, chairman of the US Senate finance committee, urged the Hong Kong Government to revalue its currency against the US dollar. Page 4

SOUTH AFRICAN diamond group De Beers, which controls 80 per cent of the market, had record sales in uncut diamonds of $3.075bn in 1987. Page 12

INDONESIA'S draft 1988-89 budget signals a further contraction of government spending, with the 56 per cent increase in debt repayments. Page 4

THE US refused a Japanese request to remove import sanctions imposed for alleged violations of the US-Japan semiconductor trade pact in bilateral trade talks in Tokyo.

ASIAN DEVELOPMENT Bank is to step up aid to Sri Lanka from an average $40m a year to $175m in 1988. The ADB has also pledged at least $450m from 1989-91.

GULF + WESTERN, US entertainment, publishing and financial conglomerate, doubled profits in its last quarter to end 1987 with record net profits up one third to $356m or $5.76 a share. Page 13

Israel policy under further attack as unrest continues

BY OUR JERUSALEM CORRESPONDENT AND OUR FOREIGN STAFF IN LONDON

MR DAVID MELLOR, Minister of State at the British Foreign Office, left Israel yesterday undaunted by the turmoil generated by his outspoken criticism of Israeli rule in the occupied territories. At his farewell press conference in Jerusalem he said he would continue to speak out against Israel's policy of "drift and limbo" which he claimed was responsible for the recent violence in the occupied West Bank and Gaza strip.

Mr Mellor said he was speaking as a "candid friend," and insisted that he spoke not only for the British Government, but for an international consensus as expressed by Tuesday night's United Nations Security Council resolution condemning Israeli plans to deport nine Palestinians.

Meanwhile, Israel faced fresh condemnation of its handling of riots in the occupied territories yesterday as unrest continued in the West Bank and Gaza Strip.

Mr Esmat Abdel-Meguid, Egypt's Foreign Minister, welcomed the UN Security Council's condemnation of Israel's deportation of Palestinians as a violation of the Geneva Convention of 1949 relating to the protection of civilian population in time of war.

His statement urged Israel to change its policy towards the Palestinians. "Israel now has to conduct a comprehensive revision of its policy, renounce repression and deportation and open a new page that goes in line with the will of the international community," he said.

Israel yesterday imposed a curfew on the West Bank town of Tulkarem after an army officer shot and wounded a Palestinian who tried to stab a woman soldier riding in a military vehicle. She was reported to have been slightly wounded.

One Palestinian was killed during a violent protest on Tuesday in the Gaza Strip and seven wounded when Israeli troops opened fire during a march by demonstrators.

A military spokesman said that soldiers had twice been cornered and opened fire with live ammunition. Five soldiers were injured by stones.

The Palestinian death toll since the current wave of disturbances began on December 8 now stands at at least 25 with about 200 wounded.

At his press conference Mr Mellor said he was not encouraged by his one-hour meeting on Tuesday with Mr Yitzhak Shamir, the Israeli Prime Minister, who remained rigidly opposed to an international peace conference.

"I think it's important that people don't retreat into a world of false illusion that I am on some frolic of my own," he said, "that I can be derided as some young pup of no significance whatsoever within my Government."

"I cannot understand the suggestionthat it's all right to have direct negotiations without an international umbrella, but it's threatening to have direct negotiations under an international umbrella."

Asked whether quiet diplomacy might have been more effective than his public criticisms, Mr Mellor replied: "That has already been done many times, and the limbo remains, the inertia remains.

His central message was: "The occupied territories are occupied territories in limbo, under a military occupation which is posing increasing strains on the people who live there, increasing tension on those who have to try to maintain the rule of law..."

He warned Israelis that they "cannot rely on our support for drift, cannot rely on our support for the human rights abuses that plainly there are in the occupied territories."

Many Israelis of the left and centre endorse Mr Mellor's censure, but the impact was blunted by his bullying televised reproach to an Israeli colonel, who spoke little or no English, in a Gaza refugee camp on Monday. Israelis resented it as an example of British condescension, a throw-back to the colonial past.

But Mr Mellor insisted yesterday's that he had no choice but to intervene. "There is no way that someone in my position can be made to feel that it is improper in occupied territory, subject to international law, to ask those responsible to maintain the peace and protect the public to look into a serious complaint."

The encounter was, nonetheless, a gift for the Israeli hardliners, who preferred not to listen and hoped no one else would either.

Heavy demand for BP as rescue offer expires

BY STEVEN BUTLER AND MAX WILKINSON IN LONDON

THE BANK of England was yesterday left with almost no takers at the expiry of its rescue offer for the £7.23bn ($13.2bn) of partly paid BP shares which the UK Government sold in November.

Heavy buying of the partly paid shares in several large blocks pushed the price well above the 70p-per-share floor guaranteed by the Bank. At mid-day the partly paid price was pushed up to 79p in extremely heavy trading, but later slipped back 76p, 4p above the price at Tuesday's close.

The extent to which the Kuwait Investment Office may have added to its 18.34 per cent stake in BP was unclear yesterday. Some market analysts believed new buyers had entered the market, although the KIO was also thought to have been active. The Kuwaitis have built up their BP stake since late November with a careful buying strategy that avoided raising the price. This followed the flop of the Government's most ambitious privatisation project so far.

Some 113m of the new partly-paid shares changed hands yesterday, which combined with the 26m shares of previously-existing BP shares, accounted for 22 per cent of the market's total turnover.

London analysts said the expiry of the Bank's offer and the mopping up of shares left with the underwriters after the flop had now removed the overhang of shares that had threatened to depress the BP price.

The authorities appeared to be pleased with the results of the controversial safety net that the Bank of England had put forward in October, when the collapse in equity prices threatened to leave investors and underwriters with huge losses on commitments to purchase the partly-paid shares at 120p.

The City of London view yesterday was that the authorities' safety net had succeeded in limiting underwriting losses, which were none the less quite large, and helped to create an orderly market, and in the end cost the Treasury almost nothing.

BP and the Government are now watching anxiously to see whether the KIO will try to increase its stake in BP. The Kuwaitis have said that they regard the purchase of BP shares as a sound long-term investment. However there has been increasing speculation in government circles and within the oil industry that the success of the KIO's operation could tempt the Kuwaitis to apply some leverage over the British company.

In recent years the Kuwaiti Government, which owns the Investment office, has implemented a successful strategy for expanding its oil refining and marketing business. Although an attempt to mount a full takeover of BP is considered very unlikely, the Kuwaitis already own enough shares in BP to justify a request for a seat on its board, if it wished to increase co-operation between BP and its own Kuwait Petroleum Company.

The continental breakfast gets more snap, crackle and pop

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

THE CORNFLAKE and its cousins, which have ousted the English fried breakfast and pulverised Scottish porridge consumption, are at last making inroads in other European markets.

In Italy, where breakfast as such is unknown and 60 per cent of people start the day with nothing more than a cup of coffee, sales of ready-to-eat cereals rose 18 per cent last year.

Even in France, where coffee, bread, croissants and brioches have held the line for years, consumers have taken to muesli and milk with a will.

Breakfast cereals now constitute the fastest-growing sector in the country's grocery trade.

Robust West German appetites still favour breads, meat spreads, ham, jam and cheese, and only half the nation's households ever buy cereals. Nonetheless, sales of boxed breakfasts doubled between 1983 and 1986.

These developments, reported in a study* from market research specialist Euromonitor, share two common features.

First, the advances have been made from extremely low base figures. The average Briton led the world rankings in 1986 and consumed 6.4kg of breakfast cereal compared with 4kg in the US but only 600g in West Germany, 400g in France and a mere 100g in Italy.

Still, says Euromonitor, "the long-awaited take-off may have started."

The second common feature is Kellogg's, the US-based multinational, which is the driving force in all the markets examined. It has an estimated 54 per cent share of the French market, 62 per cent in Italy, 45 per cent in West Germany, 43 per cent in Britain and the same in the US.

Supplying Europe from factories in England and West Germany, it spends heavily on promotion, and in most markets its advertising budgets are bigger than those of all the competition put together.

Driven by promotion, the introduction of "healthy" products and new varieties to be served hot to the ageing population, cereal sales are still growing by about 3 per cent a year in Britain and the US.

However, with the accent on convenience, the decline in Scottish porridge consumption – down 33 per cent between 1983 and 1986 – seems unlikely to be stopped.

**Market Direction report 1.6 Breakfast Cereals. Euromonitor Market Direction, 87-88 Turnmill Street, London EC1M 5QU. Tel 01-251 8024.*

Target zone rumours spur dollar gains

BY SIMON HOLBERTON IN LONDON

RUMOURS of central bank target zones for the dollar created hectic activity in currency trading yesterday and triggered large gains for the US currency for the third successive day.

The dollar rose almost 4 pfennigs and 5 yen in the space of an hour early yesterday afternoon after reports from Tokyo suggested that the US, West German and Japan had agreed upper and lower limits for the US currency.

Traders and analysts called the market volatility extraordinary. "Conditions over lunchtime were near panic," said one trader with a large UK clearing bank.

Central banks in Europe and North America did not appear to have intervened yesterday, although the Bank of Japan did buy dollars earlier. In the short-term, it appears that the concerted central bank intervention on Monday and Tuesday has been sufficient to turn the market's view of the immediate outlook for the US currency, analysts said.

Conflicting rumours in Tokyo over target zones for the dollar, which were officially denied but then resurfaced, left markets in a state of confusion. Analysts said the degree to which the dollar traded on rumour was indicative of the current nervousness.

The rumours, taken together with central bank intervention earlier in the week, left traders with little option but to buy dollars.

The current strength of the dollar, however, does not appear to indicate any fundamental change in the market's assessment of the currency over the longer term. The size of the US trade and budget deficits is still seen as exerting a downward pressure.

As one European central banker said: "We're not sure if what has happened so far this week is a turnround; the economic fundamentals have not changed since late last year."

Another official commented that the lessons learned from the Louvre Accord between the Group of Seven leading industrial nations – where government commitments convinced markets that there were target zones only to find themselves unable to defend them – would appear to indicate they did not exist now.

The gyrations in the dollar and a poor opening on Wall Street left share prices in London slightly down on the day. The FT-SE 100 share index closed 2.5 lower at 1,787.1, while the FT Ordinary share index ended 0.9 higher at 1,438. In New York, the Dow Jones Industrial Average edged marginally ahead in the early afternoon in what dealers described as moderate trading.

In London, the dollar closed at DM1.6495 compared with DM1.627 on Tuesday and at Y129.7 compared with Y126.9 previously.

The pound closed at $1.8050 compared with $1.83 on Tuesday and unchanged on the day at DM2.9775. The Bank of England's trade-weighted sterling index closed 0.1 points lower at 75.3.

Tokyo surges after fund plan dropped

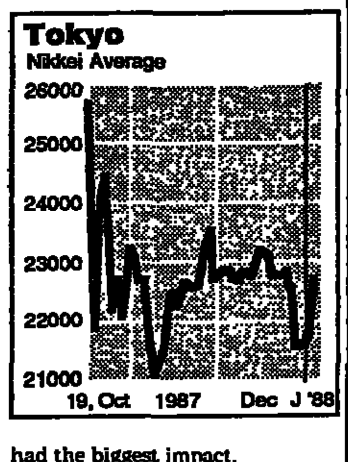
BY IAN RODGER IN TOKYO

TOKYO share prices yesterday saw their second highest one-day rise after the Japanese Ministry of Finance abandoned plans to tighten the rules governing a popular type of investment fund.

The ministry's move, which was made despite its efforts to raise the standards of disclosure and fund management, was seen as an attempt to boost the sagging Tokyo stock market.

The Nikkei average of 225 leading issues jumped 1,215.22 to 22,790.50. The market recovered slightly more than it lost in a four-day slide at the end of December which left prices 19 per cent below their mid-October peak.

Tokyo analysts agreed that while the overnight rise of the dollar and of the New York stock market also improved investor sentiment yesterday, it was the ministry's announcement that had the biggest impact.



The ministry decision relates specifically to the way assets are

Continued on Page 12

Mailson da Nobrega: presidential choice

Two-edged loyalty of Brazil's new man at finance

By Ivo Dewnay in Rio de Janiero

MR MAILSON da Nobrega, Brazil's new Finance Minister, has one major advantage and one major disadvantage over his predecessor following his formal promotion from interim to permanent occupant of the post.

Curiously, they are the same thing – the unqualified confidence of President Jose Sarney in his loyalty and support.

The president's decision is widely thought to be based on two factors. First, Mr Nobrega is his own personal choice, not inherited like Mr Francisco Dornelles from the adminstration of Mr Tancredo Neves, the late president-elect. In addition, unlike Mr Dilson Funaro and Mr Luiz Carlos Bresser Pereira, he is not the imposition of the dominant Democratic Movement Party (PMDB) that holds majorities in both houses of congress.

As a respected career civil servant with experience in several ministries, the Banco do Brasil and the European Brazilian Bank, he knows the administration inside out and owes no favours to the political parties.

The second attraction the 45-year-old technocrat holds for the president is that he is a fellow north-easterner, and not, like his predecessors, part of the all-pervasive industrial and business lobby from Sao Paulo.

But the disadvantage of being the President's favourite lies in the loyalty that this role will demand from the new minister – a loyalty that could conflict with the hard tasks ahead.

In announcing his choice on Tuesday, President Sarney declared that his instructions were "to end the public sector deficit, counter inflation and generate new investment and jobs."

"We are going to govern with austerity," he said. Echoing his master's voice, Mr Nobrega warned that his administration would be one of "rice and beans" – Brazil's equivalent of bread and water.

The question now is simply:

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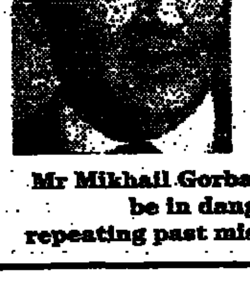


WELL-USED PATH OF FAILURE DOGS SOVIET REFORMS

Mr Mikhail Gorbachev, seen to be in danger of repeating past mistakes, Page 2

Paul Hofheinz argues that the Soviet leader is repeating his predecessors' mistakes in restructuring the economy

Well-trodden path of failure dogs Gorbachev reforms

THE Soviet Union began the tortuous process of making its factories operate on a self-financing basis last Friday. Only 60 per cent of the nation's 37,000 industrial enterprises switched over in one go, but by 1990 all Soviet factories are meant to operate on this basis.

The theory behind this reform is simple: where factories once worked to fulfil plan directives set by Moscow-based bureaucrats, they now work for profits derived from the sale of the goods they produce. It is a nice idea, but there are many indications that the old men who run the Soviet economy will not be able to make it work.

While Mr Gorbachev has approached the project with remarkable vigour, he is already repeating many of the mistakes that derailed past Soviet attempts at economic reform. In particular, his approach to the Soviet economy has been dogged by a central conflict: while he has called repeatedly for greater independence for factories, he has actually made it more difficult for factories to act independently.

In his first year in office, Mr Gorbachev set five-year plan targets at a level even his own advisers felt would be virtually impossible to fulfil. This made it hard for factories to act independently and encouraged the type of bureaucratic tutelage which Mr Gorbachev blames for the economic slowdown in the early 1980s. The most striking feature of the series of measures being brought in under the label of self-financing is their similarity to past attempts at reform.

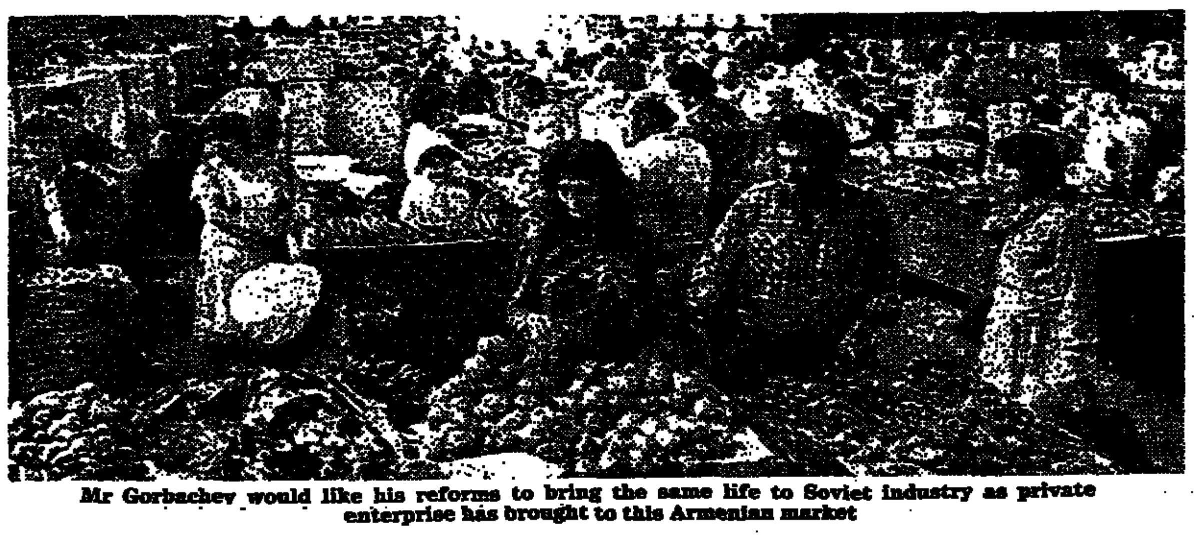
Mr Gorbachev is far from being the first Soviet leader to try to introduce mechanisms that would make factories produce better output and work more efficiently. Even Mr Leonid Brezhnev tried his hand at a similar reform in the early years of his administration.

In 1965, Mr Brezhnev and his Prime Minister, Alexei Kosygin, introduced a series of economic levers which bear a striking resemblance to Mr Gorbachev's New Economic Mechanism. Under the terms of the Kosygin reform, bureaucrats were expected to run the economy by issuing plan targets for sales and profits, rather than for gross output.

This was meant to improve the quality and range of goods by putting factories under simulated market conditions. In the ongoing effort to free factories from bureaucratic tutelage, the Kosygin reform called for the development of "wholesale markets" in the means of production. Factories, in other words, would be allowed to trade among themselves without having to clear every purchase with bureaucrats.

And yet, 22 years later, we find Mr Gorbachev trying to put a strikingly similar system in place. What went wrong? Why was the Soviet regime, for all of its efforts, unable to make these economic levers stick? Why did the promised wholesale markets never develop?

Among Soviet economists, there is a popular school of thought which holds that past economic reforms failed due to the "conservatism, inertia and selfish interest" of the bureaucracy. The theory, first put forward by economist Tat'yana Zaslavskaya, holds that the Kosygin reform failed because Moscow-based bureaucrats were more concerned with protecting their privileged position in society than with introducing mechanisms that might allow factories to function without their tutelage.



Mr Gorbachev would like his reforms to bring the same life to Soviet industry as private enterprise has brought to this Armenian market

It is well-known that Soviet bureaucrats occupy an exalted position in Soviet society. Special stores in Moscow give them access to goods not available to the rest of the population. Many have chauffeur-driven cars. According to Ms Zaslavskaya, bureaucrats banded together to prevent the Kosygin reform being effectively implemented because they feared that granting autonomy to factories would make them superfluous. This, in turn, might lead to the loss of their jobs and privileges. This view has often been echoed by Mr Gorbachev, who lists the "stubborn resistance" of middle level management as the main source of opposition to economic reform in his book *Perestroika*.

But at least one former planning official has a different explanation for the reform's failure. For 15 years, Mr Fyodor Kushnirsky was head of a research division in the Ukrainian branch of *Gosplan*, the central state planning agency, where he was directly involved in administering the five-year plans under the last reform.

In a brilliant book written after his defection in 1979, Mr Kushnirsky argues that the Kosygin reform failed because it worked too well. Far from deliberately sabotaging the reform, Mr Kushnirsky says bureaucrats were forced to continue setting the range and volume of output to ensure that factories under their jurisdiction continued to fulfil five-year plan targets.

Every Soviet factory needs raw materials to produce its output. The five-year plans are often tightly balanced production schedules, under which one factory's output will be needed to supply another factory. If one factory falls short, others may go without valuable raw materials and bureaucrats must ensure that this does not happen.

The stakes are high: when a sector of the economy fails to meet its plan, the bureaucrat in charge is often criticised publicly or sacked. According to Mr Kushnirsky, bureaucrats under the last reform gave targets to factories in sales figures, as they were meant to do, but with unforseen consequences. Many factories met the new quota for sales, but produced less gross output. This caused problems for other factories, which needed the output for supplies. As a result, bureaucrats were forced to continue dictating the size and range of goods produced to ensure that all the factories under their jurisdiction had enough supplies to fulfil their plans. Provisions meant to grant greater independence to factories were rendered meaningless by the necessity of ensuring plan fulfilment.

If Mr Kushnirsky is right, then Mr Gorbachev is beginning his economic reform without fully understanding what went wrong in the past. The current five-year plan was drawn up on Mr Gorbachev's explicit instructions around a four per cent mandatory growth figure, which many Soviet officials agree will be difficult to meet.

Factories are thus given a double task. They are expected to introduce untested new mechanisms to finance their own development while they also increase the volume of goods they produce. It is far from certain that the new mechanism will deliver more output. In fact, it could easily mean that less output is produced – albeit more efficiently and of better quality.

That, unfortunately, will not help bureaucrats ensure that factories under their jurisdiction meet their plan targets. It will put pressure on them to continue dictating the variety and volume of goods that factories under their jurisdiction must produce – despite the new laws meant to give factories greater independence. Perhaps this explains why Mr Gorbachev has a mixed record as an economic administrator. In his first year, national income grew at a rate of 4 per cent for the first time since 1978. But in 1987, things took a turn for the worse. The growth in industrial output fell to 3.6 per cent, nearly a full percentage point below the planned 4.4 per cent.

Interestingly, the leadership responded to this failure to meet the plan with a sharp rebuke to the bureaucrats. At a Central Committee plenum last June, Mr Gorbachev singled out the heads of several ministries for the failure of factories to meet plans. His criticism indicated, that bureaucrats would be held responsible for plan fulfilment as well as reform.

If history is any guide, bureaucrats will be forced to stick to the old methods that guarantee plan fulfilment even if this means violating the terms of the reform. If Mr Gorbachev is serious about making the Soviet economy work more efficiently, he should recognise that the real enemy of reform is not the bureaucracy, but the system which makes them responsible for extracting arbitrarily chosen levels of growth.

Unfortunately, Mr Gorbachev has taken a different tack. He has chosen to blame failures on the people who staff the system. Indeed, if he is not careful, the bureaucrats may grow weary of this approach. They might even decide that the problem is not the system, but the ill-tempered man at the top – and Mr Gorbachev could find himself out of a job.

The author is a London-based Soviet specialist and a frequent contributor to Time magazine.

Soviet press attacks US on SDI

BY CATHERINE McILHENNY IN MOSCOW

THE SOVIET newspaper Pravda yesterday underlined the differences with Washington over the Star Wars programme, accusing the United States of undermining trust between the superpowers through tests of laser weapons.

The attack on the tests, which Pravda said would undercut the Anti-Ballistic Missile (ABM) treaty, followed an earlier comment to Izvestia by Major General Boris Surikov. He said the US space missile defence programme would not be able to stop future Soviet weapons, and suggested that Moscow could develop an equivalent to Star Wars in 10 to 15 years.

Although US officials initially suggested that Soviet leader Mikhail Gorbachev had accepted the US position on SDI at the Washington summit, it has since become clear that Moscow still wants limits on SDI before agreeing to cuts in ballistic missiles.

Pravda said: "Much has been spoken about trust in Washington but when the theme of undermining trust arises, one can be sure that in the American interpretation, it is not Washington who is to blame for it."

THE Soviet Union increased its weapons spending in the early 1980s, according to a new estimate by Nato officials, writes David Buchan.

Nato experts attribute the pick-up to the start of aircraft and missile programmes begun under the former leaders Mr Yuri Andropov and Mr Konstantin Chernenko rather than to any decision by Mr Mikhail Gorbachev.

They say Soviet defence spending totalled 110bn roubles ($220bn at the official rate) in 1986 – about six times larger than the published Soviet defence budget.

Nato estimates Soviet defence spending rose from about 14 per cent of gross domestic product at the start of the 1980s to about 16 per cent by the middle of the decade. Nato defence spending accounted for 5 per cent of GDP in 1987.

The article was prompted by a December 23 test of a laser beam under the Star Wars programme.

"The alpha (laser) is too low-powered to be used against any grand task except one – it undermines the ABM treaty," Pravda said.

The newspaper said the weapon would be "useless against a massed missile attack" but would be able to hit a single target in space. Moscow contends that is a violation of the 1972 treaty

The Izvestia report criticised the logic underlying the Star Wars programme, warning that the future of the world could depend on the accuracy of the computer programmes controlling the anti-missile weapons.

Gen Surikov, who was described as a government expert on new types of weapons of mass destruction, said the Pentagon could feed into computer programmes the present Soviet missile capabilities, the characteristics of decoys and countermeasures such as their existing space mines.

"But their error is that the advocates of the Star Wars programme do not and cannot know what counter weapon we would be able to develop in 10-15 years from now. And it would be developed quicker than SDI could be implemented."

The Soviet Union has altered elements of its opposition to Star Wars, dropping its initial attempt to block the entire programme. However, its current request is for a guaranteed extension of the ABM treaty, with a strict interpretation of what Star Wars research could be carried out.

Honecker's visit is step forward for detente

By Ian Davidson in Paris and David Marsh in Bonn

THE latest phase of detente begun three years ago by Mr Mikhail Gorbachev, the Soviet leader, takes an important step forward today with the start of a three-day visit to Paris by Mr Erich Honecker, East German leader.

No significant new agreements or declarations are expected to emerge from the visit. In fact, if Mr Honecker repeats his proposals for a third "zero option" involving removal of all short-range nuclear missiles with a range of less than 500 km, he is certain to get a very cool reception from the French.

A French official said yesterday the East German offer did not concern France. He added: "This proposal refers to short-range tactical missiles. France has missiles in this range but it considers them pre-strategic, not tactical."

The peculiar status of Berlin gives the Honecker visit its symbolic importance, since until today none of the three Western powers had received a visit from an East German head of state.

The French invitation was made two years ago by the then socialist Prime Minister, Laurent Fabius. It could not be hardened into a formal proposal while the Soviet Union continued to block any visit by Mr Honecker to West Germany. The veto was lifted last autumn.

Yet even if it turns out to be an important "first" in the diplomacy of the Gorbachev era, advance French comment on the visit underlines the profound contrast with France's relations with West Germany.

Though France is East Germany's second most important trading partner in the West, the volume of exports and imports is far smaller than those of West Germany. The most distinctive feature of France's relations with East Germany is that it is the only Western country to have a cultural centre in East Berlin. By contrast, this week's visit comes only two week's before what are bound to be the much more triumphant celebrations of the 25th anniversary of the Franco-German Treaty signed by General de Gaulle and Chancellor Konrad Adenauer

Mr Honecker will be trying to make the most of recent slight improvements in East Germany's policies on civil rights.

Economists urge Bundesbank to retain money supply targets

BY ANDREW FISHER IN FRANKFURT

A GROUP of West German economists yesterday called on the Bundesbank to stick to its policy of setting annual money supply targets in the interests of keeping down inflation, even though these have been overshot in the past two years because of heavy currency inflows.

They called on the central bank to make clear whether price stability was to remain the goal of West German monetary policy, or whether exchange rate management was to take its place. Failure to announce a target in advance would mean a loss of the credibility needed for lasting price stability.

The seven economists were headed by Manfred Neumann of Bonn University and included Herbert Giersch, president of Kiel University's World Economic Institute. Their statement comes as the Bundesbank is deliberating whether to continue setting targets, and possibly change the composition of its central bank money stock, which includes cash and easily withdrawable bank deposits, to take more account of external trends.

In each of the past two years, central bank money stock has grown by about 8 per cent compared with target ranges of between 3.5 and 5.5 per cent for 1986 and 3 to 6 per cent for 1987. But inflation has been kept at bay by the strength of the D-Mark and low commodity and energy prices.

The Bundesbank is due to announce its money supply policy for 1988 on January 21. This marks a change with the practice of previous years, when annual targets have been made known in December. Mr Neumann said abandonment of targets would be "a disastrous mistake" in today's situation.

The overshooting has resulted from large inflows as the D-Mark continued to rise against the dollar. In 1987, West German reserves rose by nearly DM40bn to a net DM107bn ($68bn).

Riddle of Italians' cash surplus

BY OUR ROME CORRESPONDENT

LARGE concentrations of wealth in very few hands, a substantial army of poor and quite respectable levels of property ownership and average income have been identified by the Bank of Italy in a study of wealth and income among 8,000 Italian families.

Although only just published, the study was carried out in 1986, since when incomes may have risen by more than 10 per cent in nominal terms. The Bank found that the average family contained 3.1 people and their income, net of taxes and contributions, was L23.5m (£12,050 at 1986 rates).

Appropriately in a country with one of the highest savings rates in the world, only 69.6 per cent of annual income went into consumption. However, the Bank ran into a wall of discretion as to how the financial surplus was employed. Its findings in this area have been "temporarily suppressed" because of the "high degree of reticence" among the respondents.

Total family assets averaged L82.5m of which property accounted for around 88 per cent. Some 60.4 per cent of families lived in houses which they either owned outright or were purchasing on mortgages, an average which rose to 67 per cent in communities of fewer than 20,000 people and fell to 53 per cent in cities with more than 40,000 inhabitants.

More than 65 per cent of family income came from salaries, 20.7 per cent from public payments of one kind or another and 14.2 per cent from investments. The self-employed, 14.7 per cent of the sample, took 23.3 per cent of total incomes and the directly employed, 50.9 per cent of the sample, took 55 per cent.

Only 3 per cent of the sample could be classified as rich with assets totalling more than L400m, but their wealth amounted to 23.2 per cent of the national total.

By contrast, those with incomes of less than L5m a year made up 14.6 per cent of the sample and public transfers accounted for 64.8 per cent of their income. Even this group is not with assets, however, since 10.6 per cent of total income derived from property and investments.

A city by any other name...

SOVIET leaders have decided to change the name of the city of Brezhnev, named after Mr Leonid Brezhnev, the Soviet leader who died in 1982 after 16 years in power, back to its original name, Naberezhnye Chelny, writes Patrick Cockburn in Moscow.

The move, which the Soviet news agency Tass said yesterday was at the request of local people, is further evidence that the government considers Mr Brezhnev's years in power as an era of stagnation.

Two squares, in Moscow and Leningrad, which were named after Mr Brezhnev on his death are also reverting to their old names.

Letters and telegrams from citizens of Brezhnev demanding it resume the old name began to flood into Brezhnev city's party committee last year, according to the radical weekly Ogonyok.

People complained that Mr Brezhnev had never even visited the Kama car plant in their city.

The tradition of automatically naming cities, towns and streets in honour of deceased leaders regardless of the wishes of local inhabitants has been widely criticised over the last two years in the Soviet media.

But the decision to drop Mr Brezhnev's name also underlines the position of Mr Mikhail Gorbachev that the late Soviet leader led the country into "a pre-crisis situation" during the 1970s.

It will be seen as a small victory for reformers in the party who have suffered a number of defeats by conservatives recently.

Brezhnev: name dropping

Record price rises in Turkey

By David Barchard in Ankara

PRICES rose by 55.1 per cent in Turkey last year, the highest inflation rate for seven years, the State Institute of Statistics, said yesterday. However, other bodies put inflation even higher.

The Treasury's own inflation estimate was 59.2 per cent for wholesale prices and 67.3 per cent for the cost of living index in Istanbul.

The figures have been challenged by some Turkish economists as under-recording the real extent of inflation. The Istanbul daily Cumhuriyet yesterday claimed that the true inflation figure was in three digits.

A pre-election spending spree by national and local government bodies seems to have been one of the chief causes. Prices rose by 24 per cent in 1986 and the Government had targeted inflation to fall to 20 per cent during 1987.

This year's target for inflation will be around 32 per cent but most bankers and businessmen are gloomy about the chances of it being achieved.

Ceausescu faces new attack

BY JUDY DEMPSEY IN VIENNA

A FORMER leading member of the Romanian Communist party has written a sharply critical letter to Mr Nicolae Ceausescu, the Romanian president, complaining of an "extraordinary repressive" political atmosphere.

Mr Karoly Kiraly, 57, was a candidate member of the political executive committee, the equivalent of the Politburo, until he resigned for personal reasons in 1972.

His letter, which was sent in August but only became known about in the West this week, sharply criticised Mr Ceausescu's style of leadership. "You have allowed yourself to be intoxicated by the great praise, both earned and unearned. You are being deified but you are told lies, led into temptation and you are flattered. But the country has fallen into a sad state," he wrote.

Mr Kiraly, an ethnic Hungarian, wrote a series of open letters to Mr Ceausescu in the 1970s alleging that Romania was mistreating his community.

"The political atmosphere is extraordinarily repressive," the new letter says. "It was possible for all this to happen because you have surrounded yourself with people who are simply careerists and adventurers, who have not the least sense of responsibility. Lies are flourishing as never before and have even reached the level of national policy."

This is the second report reaching the West in the last six months of a critical letter being addressed to the Romanian leadership. Last November, Mr Silviu Brucan, a senior member of the Communist Party, condemned the deteriorating social and economic situation in the country and said riots in Brasov on November 15 were a sign that some people were losing patience.

Commission steps into row over nuclear waste

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday stepped into the row over shipments of radioactive waste between the Belgian nuclear power plant at Mol and West Germany.

Mr Stanley Clinton Davis, the Community's Environment Commissioner, told the West German enviroment minister, Mr Klaus Toepfer, at a meeting in Brussels yesterday that the Commission would be asking the Belgian authorities for permission to send a fact-finding team to Mol to look at control procedures for processing waste.

The meeting was arranged to discuss Bonn's concern at the several hundred barrels of contaminated waste, originating at Mol, which have been discovered in Germany with radioactivity levels higher than those laid down in the shipment contracts.

At the moment there are no Community regulations governing cross-frontier shipment of nuclear waste. Rules are laid down by the Inernational Atomic Energy Agency for high-level waste but not for medium and low-level varieties.

Hamadi judge rejects threats to hostages

THE chief judge in the Abbas Hamadi kidnapping trial yesterday firmly rejected threats from Shiite Moslem extremists in Beirut, on the second day of proceedings stemming from the hijacking of a TWA airliner in 1985, **AP reports from Dusseldorf.**

Abbas Hamadi is accused of kidnapping two West Germans to pressure West Germany into releasing his brother, Mohammed Ali Hamadi, who is accused of masterminding the June 1985 hijacking to Beirut.

Abbas Hamadi's West German ex-wife told the court she knew Mohammed and was certain that he was not the man shown in a now-famous photograph of the hijacking.

Earlier, Chief Judge Klaus Arend reacted firmly to threats issued in Beirut by a group holding one of the two West Germans Abbas Hamadi is accused of kidnapping. The second hostage was released by the group in September.

Diana Smith in Lisbon describes the daunting task being tackled by a crusading new minister

Portugal learns the lessons of better education

MORE THAN 40 per cent of Portuguese school children fail to complete their education. The European Community average of failures and dropouts is 10 per cent.

It is this sort of blot on the Portuguese landscape which has led the country's energetic new Education Minister, Mr Roberto Carneiro, to cry "This cannot go on" and to appeal to the public, and above all the business community, to join the fight to drag Portugal's educational standards closer to Community averages.

Mr Carneiro recently pulled out all the stops in a speech to a large gathering of American, European and Portuguese businessmen in Lisbon. He pleaded for commitment to the historic challenge to modernise and strengthen Portugal's economic fabric, its competitiveness and productivity, by vastly improving the education system.

The productivity gap could not be bridged without narrowing the educational gap, Mr Carneiro insisted, in a land where 86 per cent of adults have had barely four years' schooling.

Agricultural productivity is five times less than the Community average. Unless basic education and technical training facilities improve, the much-needed technological revolution in Portuguese agriculture cannot happen.

Mr Carneiro claims that mistakes in the past 30 years – including the abolition of specialised technical training because it was considered elitist in the 1974-75 revolution – have imposed a basic educational backwardness on Portugal.

The daunting task faced by the eager Mr Carneiro, a part-Chinese, part-Portuguese economic and educational expert, is amply demonstrated in the following figures:

- 200,000 people are employed by the Education Ministry yet the system is so inefficient that scores of children attend schools in shifts, or go without teachers for days on end if their class teacher is ill, having a baby, or malingering. Each year since 1975, 10,000 children or more have started classes late because their schools are not ready.
- In the rest of the EC all children of primary school age are in school. The Portuguese figure is 90 per cent.
- Elsewhere in the Community on average 75 per cent of children aged 12-18 are in secondary school. In Portugal, 40 per cent are.
- Some 35 per cent of school-leavers in the rest of the EC go on to higher education. Only 11 per cent do so in Portugal.
- In the rest of the EC an average of 5.5 per cent of gross domestic product is spent on education. In Portugal, the figure rose to 4.4 per cent in 1987. Next year it will rise to 4.8 per cent and Mr Carneiro hopes to push it up to Community levels by the mid-1990s.
- Whereas in the rest of the EC there is abundant vocational training, incorporation of vocational skills in basic education, and proliferation of polytechnics or other forms of higher technical education, in Portugal, of the 120,000 young people in higher education, only 2,000 attend the modest if growing number of polytechnics. Mr Carneiro wants that proportion to soar in the next five years.

Skills must be learnt thoroughly if the country is to cope with the challenge of modernising its structures, he says.

The Government has ambitious targets for the next few years: To get 70 per cent of three- to six-years-olds into pre-schooling (at present only 30 per cent are covered); to extend a basic nine years of schooling to everyone (at present 40 per cent of young people get that far, compared with 85 in France and the UK); to have 18-20 per cent of the young in university or polytechnics by 1992.

With a rapidly-declining birth rate of 12 per thousand, the targets are not unrealistic if clogging red tape can be cleared and if the private sector can be persuaded to fund private schools, universities and polytechnics, Mr Carneiro believes.

The Minister's tough "stop complaining and get on with the job" approach to education has raised considerable hope among middle class parents worried about their childrens' education.

Meanwhile, he has to ensure that the system is efficiently-equipped and manned, and that less-educated parents begin to believe it is worth seeing their offspring through school and into a skilled job – rather than taking them out of primary school and putting them into menial, gruelling jobs at age nine or ten, to supplement meagre incomes of unskilled families.

Portugal has suffered for generations this vicious circle of semi-literate children and adults stuck in badly-paid jobs, or drifting to better-paid building site or menial work outside the country. Roberto Carneiro is determined to break it and see that the Portuguese gift, in his words, for "sailing into the wind" – surviving historic challenges and ordeals – is put to a better use: producing a nation of better-educated, more skilled people who can be important to Europe not indifferent to it.

EC diminishes steel quota system

The European Commission announced two measures yesterday aimed at reducing the barrier which protects European Community steelmakers from their rivals.

The Commission said in its statement it was excluding from the production quotas all companies with an annual output of less than 200,000 tonnes, compared with 36,000 tonnes. Second, quotas for the second quarter of this year will be 2 per cent above estimated demand for products rather than at projected demand levels.

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AMERICAN NEWS

Carlucci hints at US Gulf naval reductions

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

Carlucci: no apologies

MR FRANK CARLUCCI, the US Defence Secretary, hinted yesterday that he is considering a reduction of the US naval force in the Gulf.

Mr Carlucci, interviewed on US television in Bahrain during his first tour of the region, said that reports that he was considering proposals to reduce the US navel presence were wrong because "no decision has been made on any reductions".

Asked specifically about reports that the helicopter carrier Okinawa and the battleship Iowa were to be withdrawn from the region, he said the reports "are not true as of this point because I have not made any decisions ... I will review the overall situation with the President," he said, when he returns to Washington.

He added that no changes in American policy regarding the protection of US flagged ships in the region was being considered but said he believed that the policy could be carried out with a reduced force if the nature of the threat changed or if US allies pick up more of the burden.

In Washington, Administration officials have been linking the withdrawl of some ships in the Gulf to the bigger burden being shared by the allies, to the fact that the initial build-up was designed to be adequate to cover an escalation of attacks on US flagged ships, which has not taken place, and to the pressures on the Pentagon budget.

The presence of six US minesweepers and a number of similar allied vessels means that the helicopter carrier Okinawa is not needed for mine hunting.

A decision to reduce US naval forces in the Gulf would be a difficult one for Mr Carlucci. He does not want it to appear that the US is scaling back its commitment to the region or to give any encouragement to Iran and Iraq to intensify the tanker war.

But he is also making it clear that Washington is not seeking to expand its role. Interviewed in Kuwait on Monday, Mr Carlucci said in response to charges that the US ought to be doing more in view of the intensified attacks on non US flag flying vessels: "We are not policing every area of the high seas for every country. That is not an appropriate role for the United States. We have no apologies to make to anyone."

The issue of the cost of the US force in the Gulf is an important one to Mr Carlucci, who shortly after taking office at the end of last year signalled an abrupt change in budget strategy at the Pentagon.

His predecessor Mr Caspar Weinberger, who oversaw the massive build-up in military spending during the first seven years of the Reagan Administration, fought tenaciously to continue the rapid growth of defence spending and insisted that any cuts in the defence budget would damage US security.

Mr Carlucci in contrast appears to have come to the decision that the best way to protect the defence budget now that it is under attack on Capitol Hill, and to retain the Republican Party's credibility on the defence spending issue, is to stress the efforts he is making to meet Congressional demands for efficency and economy at the Defence Department.

Author of Sullivan code retires

REV LEON SULLIVAN, author of the anti-apartheid conduct code for businesses dealing in South Africa, has told his Baptist congregation he is retiring from the pulpit, AP reports from Philadelphia.

"It was almost like a funeral," said state Rep Ruth B. Harper, who was among the 2,000 worshipers at Zion Baptist Church when Sullivan made the announcement Sunday.

The 65-year-old West Virginian has been pastor of the church for 37 years. His commanding height, booming voice and fierce commitment to political and economic betterment for blacks have been forces locally and internationally for decades.

Mr Sullivan remains a corporate director of General Motors, the head of an international vocational training programme called Opportunities Industrialization Centers, and a leading voice against racial segregation in South Africa.

In 1977, Mr Sullivan formulated his Sullivan Principles, a set of guidelines aimed at achieving racial equality in jobs in South Africa. They have been adopted by most American companies doing business in South Africa.

Flaws in space shuttle design delay relaunch

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

There are growing concenrs that the US space shuttle may not be put back into service before 1989, following reports that a *test firing of the shuttle's booster* rockets last week revealed not one but two flaws in the rocket's design.

After the rocket's test-firing last week, which was intially declared a success, the National Aeronautics and Space Administration (Nasa) announced that a critical component of the booster, part of the connection between the nozzle of the rocket and its base, had failed.

That failure has triggered discussions between Nasa and Morton Thiokol, the company which manufactures the booster about how to redesign the component.

Officials have conceded that as a result the target date for the first launch of the shuttle since the shuttle Challenger exploded in mid-flight in January 1986, would have to be postponed for several months.

It had been hoped that the *next flight could have taken* place as early as June of this year.

The New York Times reported yesterday that a second flaw in the redesigned shuttle booster had been identified as a result of the test last week.

Morton Thiokol officials are quoted as saying that the new problem is "not considered to be a severe anomaly" and that, rather than indicating a failure of the design, actually has demonstrated that the back up components designed to contain a partial failure functioned properly.

But a panel of National Research Council scientists has written to Nasa urging that the new problem be addressed with urgency.

It had warned earlier that the joint where the leak occurred might fail to reach the more rig*orous safety standards Nasa has* implemented as a result of the Challenger disaster.

If the latest problem does indeed lead to further delays in the shuttle's launch schedule it will increase concern in the US about the nation's space programme.

Already experts are saying that the nation's military and communications satellite programmes are at risk.

There are suggestions that Washington will have to turn to other countries in order to launch new satellites to replace some which are already overdue for replacement and which are now operating beyond what was expected to be their normal life-cycle.

US to boost spending in fight against AIDS

THE 1989 federal budget being prepared by President Ronald Reagan will meet or beat a deficit ceiling fixed by law at $136bn and calls for a significant increase in spending to fight AIDS, White House officials said yesterday, **Reuter reports from Washington.**

"The budget summit dictated this budget," a White House official said after Mr Reagan held an hour-long meeting with top advisers. He referred to last November's agreement between the White House and Congressional Democrats to cut the deficit by trimming spending and raising certain taxes.

The official, who asked not to be identified, said there were "no dramatic changes" in the spending cuts called for in that accord but added that Mr Reagan had approved a "significant increase" in government spending to combat AIDS.

The official declined to disclose specifics of the 1989 budget - the last one that Reagan will see through Congress - other than saying that there would be an increase in spending to combat AIDS.

Dr Otis Bowen, head of the Department of Health and Human Services, has requested $1.14bn for AIDS-related research and education, *the New York Times* said on Tuesday.

That figure represents a 45 per cent increase over Mr Reagan's last budget request and is roughly 20 per cent more than Congress approved for the current fiscal year.

Mr Reagan, faulted by many legislators, health officials and AIDS victims for failing to do more to fight the disease, was being urged by budget officials to accept the health department's proposal, the newspaper said.

Under a budget control law known as the Gramm-Rudman-Hollings Act, federal red ink cannot exceed $136bn in the 1989 financial year, which starts next October 1.

Colombia orders arrest of suspected drug traffickers

BY SARITA KENDALL IN BOGOTA

COLOMBIA has ordered the arrest for extradition of five Colombians wanted on cocaine trafficking charges in the US. The decision announced by Mr Enri*que Low Murtra, the Minister for* Justice, follows the release last week of one of the five, Mr Jorge Luis Ochoa, and fierce reactions from the US.

Although the bilateral extradition treaty between Colombia *and the US was thrown out last* year under pressure from the drug traffickers, both countries signed a multilateral Inter-American extradition agreement in Montevideo in 1933. However, the Colombia Supreme Court must still confirm that this *agreement can be applied.*

Fourteen new charges have been laid against Mr Jorge Luis Ochoa by the US, making his extradition possible. An earlier order was revoked after a judge in the city of Medellin began investigating Mr Ochoa for the *same charges as those placed* previously in the US. The other four requested for extradition - Mr Pablo Escobar, Mr Gonzalo Rodriguez, Mr Juan David Ochoa and Mr Fabio Ochoa - are considered, together with Mr Jorge Luis Ochoa, to be top members of the *Medellin cartel, which is respon*sible for the vast majority of cocaine shipments to the US.

Haiti hopefuls stand again

By Our Foreign Staff

HALF the 14 candidates who have registered to contest the presidential elections in Haiti later this month were barred as unsuitable in the aborted poll of November 29 last year. This emerged yesterday as the country's provisional military government, headed by General Henri Namphy, finalised plans for the elections due for January 17.

The November election was called off after 34 people were killed and more than 70 injured in violence provoked by supporters of the ousted dictator, Jean Claude "Baby Doc" Duvalier.

This led the US to suspend all economic and military aid. However, Gen, Namphy ignored this sanction and disbanded the independent Electoral Council which had disqualified Duvalierist sympathisers from standing.

The four principal candidates in November have refused to stand arguing that the process now devised excludes the possibility of a fair result.

Meanwhile, seven of the candiates who submitted their names by Monday's deadline are figures clearly identified with the former Duvalier regime or under Gen Namphy's control.

Peace group quits Managua

By Peter Ford in Managua

*A GROUP of senior Latin Ameri*can diplomats left Managua yesterday after hearing a wide range of differing opinions on the Sandinistas' performance under Central America's peace plan.

The International Verification and Follow-up Commission moved on to Guatemala, continuing a tour of Central America to check progress in the five-month peace accord. In Managua, the Commission found itself in a Tower of Babel as pro- and anti-Sandinista trade unionists, journalists, human rights activists, and politicians took their turns to attack or defend the Government's action.

A human rights group linked to the Government stressed the recent release of nearly 1,000 *political prisoners; another group* close to the opposition emphasised the numbers of detainees still awaiting their freedom.

Sandinista *Comandante* Carlos Nuñuz blamed opposition political parties for the collapse last month of a "national dialogue". The opposition, meanwhile, blamed "Sandinista intransigence".

Farm-credit bill signed

PRESIDENT Reagan yesterday signed into law a bill providing up to $4bn in aid to the troubled farm credit system and establishing a secondary market for farm mortgage loans, called Farmer-Mac, **Reuter reports from Washington.**

The bill would permit a unit within the farm credit system to float up to $4bn in 15-year government-backed bonds, the proceeds from which would be used to rescue failing banks.

Mr Reagan said he was signing the measure even though the bill does not force the system to use enough of its remaining capital to stave off failure, establishes a costly new *federally-backed* secondary market, and makes it more difficult to foreclose on delinquent farm loans.He urged Congress to reconsider those provisions this year.

Major provisions of the farm credit legislation are:

- A secondary market, Farmer-Mac, within the farm credit system that would allow commercial lenders and the system to pool farm mortgage loans for resale to investors.
- An assistance board including the treasury secretary, agriculture secretary and a farmer to manage the financial aid provided to the system.
- Guarantees the value of stock *held in the system by its farmer* borrowers for five years.

US support for Afghan rebels reaffirmed

By Our Foreign Staff

THE AFGHAN people had the full support of the US in their battle to rid themselves of foreign occupation, said Mr Michael Armacost, US under-secretary of state, in Islamabad yesterday.

The US would stand by Pakistan and its principled position in the face of any pressure from outside, said Mr Armacost, underlining the US commitment to the fight against the Soviet occupation of Afghanistan.

Mr Armacost's visit is part of heightened military and diplomatic activity in advance of the resumed peace talks between Afghanistan and Pakistan in Geneva next month. The visit coincides with a surprise visit to Kabul by Mr Eduard Shevardnaze, the Soviet Foreign Minister, for talks with Mr Najibullah, leader of the Soviet-backed Afghan Government.

Next round

Mr Shevardnaze's deputy, Mr Ada Mishin, said in New Delhi yesterday that the Soviet Union wanted the next round of Geneva talks to be the last and to end in agreement.

Mr Mishin said a number of issues regarding the ending of the Soviet occupation, now in its ninth year, had been settled. The main remaining points are known to be the timetable for withdrawal of Soviet troops and the nature of the interim regime which the Soviet Union will leave behind in Kabul. The guerrillas are united in their insistence that Mr Najibullah must stand down at the same time as the Soviet troops withdraw. Moscow is equally insistent that the fundamentalist guerrillas cannot take over the government.

Mr Armacost has had three days of discussions with President Zia ul-Haq of Pakistan, Mr Mohammad Khan Junejo, the Prime Minister, and Afghan guerrilla leaders. Pakistan is crucial to settlement of the Afghan conflict as it gives refuge to the guerrilla groups and to 3.1m refugees.

Eight-year siege

Fighting continues around the eastern Afghan city of Khost, 20 miles from the Pakistani border. Hundreds of casualties, both on the mujahideen and Soviet side have been reported by western diplomats, since the current offensive started on December 19 to break the eight-year siege of Khost.

An estimated 20,000 Soviet troops are fighting 6,000 to 10,000 mujahideen fighters. Western diplomats and mujahideen sources said yesterday that as a result of the breach in the guerrilla ring around Khost some food supplies have reached the garrison city but that, contrary to many reports, the siege is still in place.

Mr Armacost said: "The time has come for a credible agreement that will permit a rapid withdrawal of Soviet forces, self-determination for the Afghan people, and a free and non-aligned Afghanistan, and the voluntary return of 5m Afghan refugees (now in Pakistan and Iran) to return to their homeland."

Victor Mallet, recently in Lilongwe, reports on the crisis facing one of the world's poorest countries

Malawi's food shortage highlights economic decline

THERE ARE NOT many countries where it is illegal for women to wear trousers and for men to have long hair, but then Malawi has always been different.

Life President Dr Hastings Kamuzu Banda, thought to be 89 years old, is a conservative ruler with a strong and idiosyncratic sense of African tradition. He insists that women hide their knees beneath long skirts and he frowns on men sporting beads or bell-bottom trousers.

That is only half the story. Dr Banda, unlike his neighbours in Zambia, Tanzania and Mozambique, is not a socialist. Nor does his country receive much in the way of Scandinavian aid. His Government is the only one in Africa to have full diplomatic relations with South Africa.

Until now Malawi was also perceived by its western allies to be one of Africa's few economic successes, a country which had concentrated on peasant agriculture and achieved self-sufficiency in food. It is a haven for foreign companies. Mr Harry Thomson, chairman of the Chamber of Commerce and Industry, said: "This is one of the very few countries in the third world where we not only declare dividends but actually remit them."

Malawi is still respected for the careful management of its resources and its record of economic growth in the 1970s. But there is a new realisation - within both the donor community and the increasingly self-critical Malawian administration - that things are not as rosy as they seemed.

The change in mood has been precipitated by a severe food shortage which has as much to do with a failure of agricultural policy as with drought, crop pests and an influx of more than 380,000 refugees from Mozambique.

On a per capita basis Malawi's food shortage is as bad as Ethiopia's, although the distribution problems are not quite so severe. Malawi is not fighting any secessionist wars and its population, at 7.5m, is six times smaller.

"When I came here three years ago Malawi was lauded worldwide as self-sufficient. Now we're near a crisis," said a diplomat in the capital Lilongwe. An official from a donor organisation added: "Historically it's difficult for people to accept that the way they thought about this country isn't actually the way the country is."

Malawi has appealed for 130,000 tonnes of maize by March 1988, in addition to more than 48,000 tonnes already arranged as donations and commercial imports, giving a total shortage for the season of about 180,000 tonnes.

The official shortage - which refers only to Malawians, not to Mozambican refugees - is calculated on historical demand for food. The United Nations Children's Fund (Unicef), basing its figures on what it calls biological need, or what people should be eating to stay healthy, puts the shortfall at about 268,000 tonnes.

Such estimates are in any event academic, since it will be virtually impossible to truck in so many tonnes of food in the time available.

"Really we've got a very serious situation here," said Unicef representative Mr Ken Williams. "What happens in a situation like this is that the crisis hits in pockets. Certain areas are going to be very badly hit and you have to be ready to prevent child deaths. What one has to do now is to bring as much food in as possible through every possible supply route."

Those working with the poor in Malawi are relieved that the problems are at last beginning to come out into the open. They speak of Malawi, with its stern protestant approach to commerce, paying off its foreign debts at a terrible human cost.

Recent statistical food surpluses at the national level, and city shops well-stocked with imports, have masked the fact that most Malawians remain desperately poor. Nine out of 10 people live from subsistence agriculture but many farmers have plots of land too small to support their families. With annual per capita gross national product at about $160, Malawi is one of the 10 poorest nations in the world.

A recent joint report by the Government of Malawi and Unicef - the mere act of publication is a sign of the cautious Malawian policy of glasnost - says bluntly that Malawi has one of the highest child mortality figures in Africa. One child in three dies before the age of five, and a survey in 1981 and 1982 found that 56 per cent of under-fives in rural areas showed symptoms of chronic malnourishment.

A combination of factors led to the current acute food deficit, including some drought and the mealy bug pest which damaged the cassava crop.

Above all farmers sold less maize to the state Agricultural Development and Marketing Corporation (Admarc), perhaps 60,000 tonnes this season compared with 110,000 last season and 270,000 the year before.

Meanwhile, Dr Banda has assured the ruling Malawi Congress Party that the party convention would decide on his successor. "I will not appoint or nominate a successor to me," he was quoted as saying.

In the meantime Dr Banda, the first and only President Malawi has had since independence 23 years ago, brooks no internal opposition, although there are fewer political detainees than during the 1970s.

Politically and economically Malawi's future remains uncertain, overshadowed by high population growth and the effects of the war in neighbouring Mozambique.

Indonesian budget squeezes economy

By John Murray Brown in Jakarta

INDONESIA'S draft 1988-89 budget, which President Suharto presented to parliament this week, marks a further squeeze of the domestic economy with spiralling debt repayments absorbing much of the projected increase in export revenues and tax receipts.

Tending to the side of caution, the budget is based on an oil price of $16 a barrel, compared with $15 last year. This follows the inclusive agreement last month of the Organisation of Petroleum Exporting Countries aimed at defending a level of $18 a barrel. Oil on the spot market is currently trading at around $16.

Spending – both routine and development – is set to increase by 27 per cent to Rupiah 28,900bn ($9.4bn). But according to Mr Radius Prawiro, the Finance Minister, actual change is closer to 13 per cent, given better than expected foreign aid disbursement in the current year and higher realised oil revenues.

Currency realignment is officially blamed for the hefty 56 per cent increase in debt repayments which at Rupiah 10,600bn accounts for half of all routine expenditures.

With the continued export growth expected the Government says the deficit on the current account will fall to $654m, from a revised figure for 1987-88 of $1.7bn. This compares with $4bn in 1986-87.

Thatcher heads for stickier climes

BY MICHAEL HOLMAN IN NAIROBI

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, today exchanges the balmy climate of Kenya and the cordiality of President Daniel arap Moi for the muggy heat and clamour of Lagos, and an unpredictable welcome from Nigerians.

British officials acknowledge that the coming 28 hours in Nigeria will be the most demanding part of her two-nation African tour. Mrs Thatcher will be leaving the secure environment of what is probably Britain's closest ally in Africa for a more volatile and prickly atmosphere.

But the opening stage of Mrs Thatcher's first visit to Africa since attending the Commonwealth Conference in Zambia in 1979 is being treated as a success by her advisers.

Kenyan officials suppressed their irritation that Mrs Thatcher chose to release only hours before her arrival an interview in which she questioned the moral integrity of those who advocate sanctions.

Once she was actually in Kenya, Mrs Thatcher pulled in her horns, avoiding all mention of sanctions when she tackled South Africa in the only speech of her stay - surely unprecedented restraint on her part. Instead, she conducted what sometimes seemed like an election campaign. With husband Dennis by her side (he has not had time for a single round of golf) she has been extolling the virtues of agriculture, education, self-help, free enterprise and British investment.

And like any politician on the hustings she had goodies to offer: a £20m grant for balance of payments support, followed by those statistics Mrs Thatcher masters so readily: British grants to Kenya since 1979 total £173m; nearly £70m worth of loans have been written off; British investment in Kenya is worth £1bn.

Since her arrival in Nairobi on Monday afternoon the Prime Minister has been indefatigable. In a programme designed in part to show off British aid projects and in part to illustrate to her the variety and potential of Kenya, Mrs Thatcher and her cavalcade of sometimes bemused government officials and local dignitaries have covered hundreds of miles.

As befits an election campaign, there have been numerous photo opportunities, and scores of Kenyans who have been the target of personal attention now have first hand knowledge of the Thatcher phenomenon.

Kenyan politics may never be the same again.

S Africa upturn forecast

BY ANTHONY ROBINSON IN JOHANNESBURG

LEADING South African economic indicators point to a substantial upturn in the economy over the final quarter of last year which could lead to faster growth in 1988 accompanied by rising interest rates, according to Dr Gerhard de Kock, Governor of the Reserve Bank.

Growth last year is expected to have been around 2.5 per cent. To prevent higher growth from stoking inflation, Dr de Kock called for fiscal discipline from the Government and warned that failure to control spending and keep a tight rein on the public sector deficit "could create difficulties."

The governor's optimistic assessment follows reports of sharply higher consumer spending over Christmas, a sharp increase in tourist spending and a surge of new orders for the formerly depressed automotive and engineering industries.

Confidence has also been boosted by the higher gold price and rises in incomes.

Chris Sherwell describes the Ultimate Event at Sanctuary Cove

A glimpse of Australia's fare

THEY ARE calling it the Ultimate Event and by Sunday, after five days of the "biggest, best party Australia has ever seen," the doubters will know whether it has lived up to its billing.

No, it is not one of the thousands of celebrations for the country's bicentenary. It is an extraordinary A$15m (£5.82m) festival of sport, music and entertainment to mark the opening of Sanctuary Cove, a massive tourist and residential resort on a reclaimed island swamp on Queensland's Gold Coast.

Topping the bill is Frank Sinatra, who will perform for about an hour on Saturday night, reputedly for a $1m fee. Also on the list is Ms Whitney Houston and an array of well-known Australian rock, jazz and country music performers.

For sports fans, there are the Ultimate Greats of Golf, headed by the legendary Arnold Palmer and including Bernard Langer and Nick Faldo and the Ultimate Tennis Challenge, featuring Ivan Lendl, Yannick Noah, Slobodan Zivojinovic, Martina Navratilova, Chris Evert and others.

There is also a catalogue of other Ultimate Entertainments – air daredevil shows, fashion spectaculars, a beer festival, a 15km road race, an international lawn bowls tournament, powerboat races, stand-up comedy shows and impromptu performances by magicians and buskers.

An exclusive resort, in short, is inviting ordinary people to share in its opening. But ticket sales have been disappointing, despite the organisers' best efforts – around $A210 for entry to all five days of events.

This month the organisers resorted to selling tickets for single days in order to boost numbers. Prices vary according to the day: for Saturday they will be A$90 per head.

The doubts, it seems, stem from the event's sheer extravagance, which deliberately matches the lavish resort project as a whole: it all looked too good to be true. Frank Sinatra even had to be asked to tape a radio spot insisting that he was indeed coming to Australia.

But then controversy and Sanctuary Cove have always gone hand in hand. The driving force behind the development is Mr Mike Gore, a former car salesman wonderfully described as a leader of the "white shoe brigade."

This is the label given to a group of wealthy developers who became closely identified with the maverick Sir Joh Bjelke-Petersen, who until December had been premier of Queensland for almost 20 years.

When Sir Joh began his ultimately abortive "Push for Canberra" last year, it was Mr Gore who struck fear into the premier's political opponents by suggesting there was A$25m for the campaign.

Another member was Mr Bruce Judge, whose Ariadne group is also heavily involved in the Sanctuary Cove project. Ariadne has been in deep trouble since the October stock market collapse and the irony of this coincidence with Sir Joh's difficulties has been lost on no-one.

Arnold Palmer: legendary

The 440-hectare development is on Hope Island, which lies in the mouth of the Coomera River between Brisbane and Surfers Paradise on Queensland's heavily developed Gold Coast – itself once described as a cross between Southend, Hawaii, Coney Island and hell.

Apart from its luxury waterfront homes, Sanctuary Cove will have the Hyatt Hotel group's first all-Regency Club class establishment anywhere, two world class golf courses, a country club, a recreation centre and four harbours.

The project is said to have benefited from concessional help from the electricity authority to supply power to the island, and from the state's construction of a bridge and roads linking the island to the Gold Coast.

The State Parliament even passed specific legislation, the Sanctuary Cove Resort Act, which freed the area from local government regulations and made it virtually self-governing.

Frank Sinatra: bill-topper

At one stage in 1986, when Mr Gore's company hit financial difficulties, it received a state loan through the Queensland Government Development Authority of more A$10m.

Revelation of the details last March caused a furore and revived old charges of "cronyism" which hardly helped Sir Joh's political campaign.

There was further controversy in June, when Mr Gore appeared in court on 34 charges of attempting to evade sales taxes on the import of luxury yachts. The case is yet to be heard.

To sell the development itself, the broadcast and print media over the past few months have carried a sophisticated advertising campaign co-ordinated by one of the country's top agencies.

"There is no other place like it on the entire Australian continent," say the blurbs. The residential area is "unashamedly elitist," a place where "successful people will live in a community of their peers" and "without fear for their family's safety."

An early ad, controversially, went much further: "The streets these days are full of cockroaches," it said, "and most of them are human." Sanctuary Cove, it added, was "an island of civilisation in a violent world." The media have called it a Fortress of the Rich.

As for the Ultimate Event – the subject of a separate concentrated advertising blitz – indications from the attendance on the first day yesterday were promising, according to one of the organisers.

"At 2pm there was a crowd of 20,000," he claimed delightedly, "it'll be much more on Saturday."

Maybe. The heavens also decided to open yesterday, just as they had threatened to do. In jeopardising both the golf and the tennis and much else, the risk was clear: an Ultimate Non-Event.

Manila welcomes US debt shift

By Richard Gourlay in Manila

MR VICENTE JAYME, the new Philippine Finance Secretary, yesterday welcomed the US Government's participation in a scheme through which Mexico plans to cut its external debt by issuing US-backed bonds in exchange for bank loans.

He said the US involvement in the debt problem has opened the door to a change in attitudes and was a major breakthrough in the search for a solution to the Third World debt problem.

"In the past all you seemed to hear was: you owe, you pay," Mr Jayme said. "There is no way that the Third World can continue to pay these debts." The Mexican package would allow a country to reduce principal and interest payments and therefore allow more funds to go to stimulation of domestic growth, he said.

The plan involves the sale to Mexico of zero-coupon US Treasury bonds. They will be used as collateral by Mexico for the issue of bonds to be issued to banks which bid to tender their existing loans, at discounts to face value, in exchange.

However, in his first meeting with reporters since his confirmation by Congress in December, Mr Jayme outlined a conservative attitude towards the country's $28.6bn debt, the servicing of which last year ate up 44 per cent of export receipts and is expected to take 32 per cent this year.

Washington seeks talks with EC on oilseed dispute

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Reagan Administration is seeking formal consultations with the EC in an effort to resolve a fresh trade dispute over subsidies on soybeans and other oilseeds which US producers say have hit their exports to Europe.

The consultation request is the first stage in a process that could lead to a formal complaint being filed with the General Agreement on Tariffs and Trade if the dispute is not resolved, a US trade spokesman said yesterday.

It follows a decision earlier this week by Mr Clayton Yeutter, US Trade Representative, to take up a complaint from the American Soybean Association(ASA).

The association claims increasing European subsidies have caused US soybean exports to Europe to drop to around $2bn(£1.1bn) a year from $3.7bn five years ago.

The action comes at a time when the US is growing increasingly sceptical about European readiness to live up to last year's agreement on a separate farm dispute under which the EC undertook to compensate the US for lost grain sales to Spain following its accession to the Community.

In its complaint, the ASA charged that European oilseed processors are forced to pay the equivalent of $600 a tonne to European soybean farmers, some three times the world price.

Subsidies they receive in compensation mean they can earn a higher profit from processing European rather than imported soybeans.

The ASA also claimed that similar subsidies operate on sunflower and rapeseed, while European seed producers also benefit from special transportation subsidies.

Meanwhile pressure is growing in the US for sanctions to be imposed if the EC fails to complete the purchases of grain and sorghum agreed under the Spanish accession deal.

European purchases so far have fallen far short of the the 2m tonnes of corn and 300,000 tonnes of sorghum due to be completed by the end of February.

Younger to push Hawk in India

By David Buchan, Defence Correspondent

British Aerospace's attempt to persuade India to buy the Hawk trainer rather than the Franco-German Alphajet will be given high level backing this week from Mr George Younger, the UK Defence Secretary, who arrives in India today for a five day visit.

BAe rates its chances of winning the sizeable Indian jet trainer contract as "quite reasonable", after recent sales of the Hawk to the US navy and the Swiss air force.

Another point which may favour the Hawk is that India carries out licensed manufacture of the Adour engine. The Adour powers both the Hawk and the Jaguar fighter which is made under licence by Hindustan Aeronautics at Bangalore, where Mr Younger will visit next week.

Equipment for India's large armed services is drawn from a variety of sources - Soviet, Western and, increasingly, indigenous Indian manufacture. The Soviet Union has just leased India a nuclear-powered submarine, and has sold India one of its latest fighters, the MiG-29.

But India has remained a steady market for British arms. The Jaguar deal is worth around £1bn, while latterly Britain has benefited from New Delhi's interest in expanding its naval aviation with the purchase of Sea Harriers, Sea Eagle missiles, and HMS Hermes, the assault carrier used in the Falklands war.

Export credit rates to increase

BY PETER MONTAGNON, WORLD TRADE EDITOR

INTERNATIONALLY agreed rates for subsidised export credits are to increase by 0.5 percentage points across the board from January 15 following the latest review by the Organisation for Economic Co-operation and Development (OECD).

This is the first change in the rates since July 1986 and reflects an increase in world interest rates since then. The OECD calculates the rates according to a formula that uses the weighted average of rates for currencies in the International Monetary Fund's Special Drawing Right (SDR).

The increase will mean that relatively rich countries will have to pay a minimum of 10.15 per cent for loans with a two to five year maturity and 10.4 per cent for longer loans. Intermediate countries will pay 8.85 and 9.35 per cent respectively, while relatively poor countries will pay 8 per cent on all maturities.

US favours revaluation of HK dollar

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Government ought "at some stage" to revalue its currency against the US dollar as part of an effort to correct its substantial trade imbalance with the US, Sen Lloyd Bentsen, chairman of the Senate finance committee, argued yesterday.

He conceded, however, that the territory should not be subject to the same threats as are being directed at Taiwan and South Korea.

The senator, who saw Sir David Wilson, Hong Kong's governor, yesterday at the end of a fact-finding visit to East Asia's "Four Dragons" (Taiwan, South Korea, Hong Kong and Singapore) also conceded that pressure to force worldwide currency appreciation against the US unit or to dismantle non-tariff barriers to trade would not solve underlying problems in the US economy inhibiting export growth.

"We have to make trade a number one priority for our country, and in the past it has not been. It has been the handmaiden for other foreign policy objectives," he said.

Last year Hong Kong's trade surplus with the US soared towards $7bn.

Senator Bentsen insisted that currency adjustment had to come in due course, even though the Territory's administration "feels very strongly that there should not be any change".

In recent weeks, mounting speculative pressure for a revaluation from the existing linked rate of HK$7.8 to $1 has sucked hundreds of millions of dollars into the territory, and has prompted the government to prepare plans to impose negative interest rates.

As the Taiwanese and South Korean governments have capitulated to US pressure for revaluation of their currencies, Hong Kong has fought hard to establish that it is a special case. It argues that it is a totally open economy and that its trade is in overall balance - and as such should not be pressured to change an exchange rate.

Sen Bentsen provided at least token support yesterday for Hong Kong's case: "Hong Kong presents a different situation than we find in the other Pacific Basin countries. We do not have a problem of market access here. Our products have a good entry, and good access.

"We look at Hong Kong and Singapore as special situations...we don't have the same problems that we have with Taiwan, South Korea and Japan with substantial long term non-tariff barriers. But we are seeing here in Hong Kong a $6bn-7bn trade surplus and we are hopeful that we will see some adjustment in the currency,"he said."

Such adjustments will not alone solve US trade problems, he said,but it was vital to emphasise now "if we are to pay off our debts," he said.

Sir David Wilson: discussions with SenLloyd Bentsen

Washington in textile agreement with Mexico

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US has signed a new textile trade agreement with Mexico that will allow for a significant increase in two-way trade over the next four years.

The agreement, announced in Washington by Mr Clayton Yeutter, US Trade Representative, follows other sectoral agreements completed over the past month in areas like steel, beer, wine and distilled spirits. It is part of a pattern of gradual trade liberalisation between the two countries.

Under the agreement, Mexico will be able to increase its textile and garment sales to the US by 6 per cent a year, a higher increment than that conceded by the US to other developing country textile producers.

In return Mexico is to ease restrictions on the import of US yarn and fabrics and to allow, for the first time, the import of up to $240m worth of US apparel and other finished products.

It has also agreed to open up its "maquilladora" duty-free processing zones to textile producers who will process cut fabric from the US for re-export North of the border.

Mr Yeutter said the agreement was "another important step in the liberalisation of trade between our two countries." It follows a framework trade agreement signed in November which established procedures for consultation and resolution of trade disputes.

Nonetheless the two countries are still a long way from reaching a comprehensive free-trade arrangement on the lines of that signed last weekend with Canada.

US electronics deficit grows

BY LOUISE KEHOE IN SAN FRANCISCO

THE US electronics goods trade deficit grew by 8.8 per cent to $3.7bn in the third quarter of 1987,reversing a trend established earlier in the year toward smaller deficits, says the American Electronics Association.

The negative balance of trade in electronics between the US and Japan increased by 4 per cent to $5.2bn in the third quarter, the US industry group said.

"The trend established earlier in the year of reduced US electronics trade deficits, both with Japan and the world, has come to a halt,"said Mr Ralph Thomson, AEA senior vice President.

There was a 13 per cent reduction in the deficit during the first half of 1987, but the third quarter increase "is a cause for concern and an obvious indicator that it will take more than a decline in the value of the dollar to solve our trade problems," Mr Thomson said.

Mr Michael Smith,the US deputy trade representative,yesterday rebuffed a Japanese request for the US to remove remaining sanctions on a range of Japanese imports, AP-DJ reports from Tokyo.

The sanctions were imposed by Washington last April in retaliation for alleged violations of the US-Japan semiconductor trade pact.

Japanese officials said the US response represents an impasse on the semiconductor side of bilateral trade talks that opened in Tokyo this week.

"Clearly, in the next year,we must convince Congress and the Administration and all presidential candidates that for the long-term health of the country and our industry, the federal budget deficit must be reduced significantly," Mr Thomson added.

In US electronics trade with the world, the computer segment of the industry saw its positive balance shrink slightly from $2.1bn in the first three quarters of 1986 to $2bn in the 1987 period.

The trade deficit in the communications segment swelled by 29 per cent in 1987,from $1.3bn to $1.8bn. The US electronics balance of trade with Japan showed the most improvement in the consumer products area, with the deficit declining 27 per cent from $6.4bn in the first three quarters of 1987 to $4.7bn in the 1987 first nine months.

The computer trade deficit with Japan grew 29 per cent from $3.1bn to $4.0bn, a trend that is likely to increase trade friction between the two countries.

Newspaper distributors hit by Murdoch shakeup

BY RAYMOND SNODDY

BRITAIN'S biggest wholesale newspaper distributors have suffered in the new franchise system being introduced by Mr Rupert Murdoch's News International for the distribution of his five national titles.

W.H. Smith, one of the UK's largest newspaper wholesalers, said yesterday that it would lose £40m in annual turnover, about 10 per cent of its wholesale business, as a result of News International's allocation of 182 franchise covering all of England apart from London.

John Menzies, which together with W.H.Smith accounts for half the newspaper wholesale business in the UK, believes it would lose annual turnover of £5m.

The winners in the tender process have been small independent wholesalers and TNT, the Australian-based international transport company which has been delivering News International titles by road direct to retailers in London and to wholesalers elsewhere since January 1986.

TNT, in which Mr Murdoch has a small stake, is believed to have won more than 30 of the 182 franchises including the key cities of Birmingham, Manchester and Bristol.

Mr Alan Jones, managing director of TNT (UK), confirmed yesterday that he was setting up a wholly owned subsidiary, Newsagents Wholesale Corporation, to take on the new work.

The franchise battle arose after News International decided last year to reduce the 1,000 wholesalers, many of them only handling Sunday newspapers, and called for tenders for 182 franchises.

This week News International has been informing the applicants whether or not they have been awarded five-year contracts for the exclusive wholesale distribution of The Times, The Sun, Today, the News of the World and the Sunday Times in the franchise areas applied for.

Mr Malcolm Field, managing director of W.H. Smith, said yesterday that the company had applied for all the 80 franchise areas where it was the existing wholesalers and for some new areas, but had won only 14. Menzies applied for 47 and won only 18.

Although the new franchises will continue to handle other titles some publishers fear News International titles might get special treatment.

Measure of jobless 'overstated total'

By Simon Holberton

ABOUT 200,000 fewer people would have been defined as unemployed in Britain during the spring of 1986 if the Government had used an internationally recommended method for calculating unemployment, a Department of Employment study shows.

In its annual survey of the structure of unemployment released yesterday, the department said the growth in the number of people out of work between spring 1983 and spring 1986 was broadly flat if the method proposed by the International Labour Organisation and the Organisation for Economic Co-operation and Development (ILO-OECD) of surveying the labour market was used.

Instead, recorded unemployment rose by more than 300,000 people during the same period on the Government's definition, known as the "claimant count", which tabulates the number of recipients of unemployment benefits, said the study, in this month's Employment Gazette.

During spring 1986 there was an average of 3.17m people claiming unemployment benfits. On the basis of the ILO-OECD survey method, the department said there would have been 2.97m unemployed.

The department said the divergence between the two recorded rates of unemployment was probably explained by an increased propensity of people to claim benefits.

The figure of 200,000, however, represented a net figure and disguised some large swings in the numbers of people counted as unemployed by both the ILO-OECD method and the Government "claimant count".

In spring 1986 there were 860,000 people claiming benefits, but who were not unemployed by the ILO-OECD definition, because they were not seeking work or were not available to start work within two weeks of being surveyed. Also, there were 210,000 people who claimed benefits, although they were in some form of paid work when surveyed.

On the ILO-OECD measure there were, therefore, 1.07m claimants who would not be classified as unemployed. Against that, however, were 870,000 people who were classified as unemployed by the ILO-OECD but who were not receiving benefits.

Home Office to discuss prison disruption vote

By John Gapper

PRISON OFFICERS' leaders and Home Office officials are meeting tomorrow after a vote in favour of industrial action by prison staff in protest at manning levels.

The Home Office is being pressed by the Prison Officers' Association to recruit additional officers for the implementation of the Fresh Start package of working practices reform. At the moment it plans to take on 750 additional officers.

The Home Office may try to persuade the association not to implement industrial action by holding out the hope that an assessment of Fresh Start manning levels due to be completed at the end of this month will lead to more recruitment.

But the two sides face a problem in reaching a compromise. In order to comply with the Trade Union Act 1984, the officers must start industrial action by January 15 – before the final result of the assessment is due.

The association claims that the Home Office reneged on a commitment to recruit 950 additional officers for Fresh Start and is also concernd at plans for increased use of civilians in the prison service.

Mr John Bartell, POA chairman, said yesterday that the union was "not in the business of sabre-rattling" and was prepared to take action if the Home Office failed to respond.

GRE sought probe into tax affairs

BY NICK BUNKER

GUARDIAN Royal Exchange, the British insurance group, said yesterday that last year it asked Coopers & Lybrand, the accountancy firm, to make an independent investigation of aspects of its tax affairs.

It followed internal allegations of possible tax fraud made by Mr Charles Robertson, who was sacked last May from his post as GRE's chief tax accountant.

An industrial tribunal ruled last November that Mr Robertson had been unfairly dismissed, and ordered GRE to reinstate him. GRE has lodged an appeal against the tribunal's decision with the London-based Employment Appeal Tribunal.

Coopers & Lybrand, which gave its findings to the Inland Revenue, found that "there was no fraud," Mr Norman Shepherd, GRE's general manager (finance and investment) said yesterday. He added, however, that the Coopers & Lybrand investigation was "directed at a narrow issue."

The Inland Revenue is now conducting its own inquiry into aspects of GRE's affairs, and has interviewed Mr Robertson in the last month.

The Coopers investigation was personally commissioned by Mr John Collins, GRE's chairman, Mr Shepherd said.

Mr Ian Rogers, a Coopers & Lybrand tax partner, said last night that the firm was asked to carry out the investigation immediately after Mr Robertson was first suspended from duty by GRE last March.

Coopers & Lybrand has been GRE's auditor since 1968. But Mr Rogers said its investigation was fully independent and had been conducted with the Revenue's full agreement.

The accountants submitted their findings to the Inland Revenue on August 13. "Our conclusion was that we could not find any evidence to support Mr Robertson's allegations," Mr Rogers said.

He said Coopers & Lybrand learned later from a newspaper report of the industrial tribunal that the Revenue was making further inquiries of its own.

GRE said yesterday that it would be improper to comment in any detail either about its employment dispute with Mr Robertson, or about the Inland Revenue inquiry, which Mr Shepherd said were two quite separate matters.

Asked about the industrial tribunal, Mr Shepherd said: "We believe that it came to the wrong conclusion. But there is no way that we are going to discuss the grounds of our appeal."

Mr Shepherd said GRE "totally welcomed" the Revenue's inquiries: "From the moment that this thing began to run we have been determined to get to the bottom of it," he said. "It began to run from the moment Mr Robertson made these allegations internally."

Birmingham to receive £113m in aid from EC

BY HAZEL DUFFY

BIRMINGHAM IS to receive £113m from the European Regional Development Fund towards restoring its blighted inner-city area.

The award, which will be paid over five years, is expected to be followed up shortly by an announcement that the European Social Fund will also be making a substantial sum available to the city council.

The combined grants will form the first award by Brussels to the UK under the "integrated operations" scheme. This programme aims to co-ordinate money from the funds and thereby enable European Community money to have a bigger impact on redressing regional imbalance than through the traditional system of making grants to single projects.

The Government also announced yesterday that the West Lothian area of Scotland has been granted £26.7m by Brussels for the encouragement of economic regeneration. The area, to the west of Edinburgh, has been seriously affected by the closures of coal mines and factories.

Projects in Denmark, France and Ireland have also been approved on a similar basis by the European Commission. These sums are additional to the Regional Development Fund allocations routinely dispersed by Brussels. The latest tranches, announced yesterday in Brussels, totalled Ecus 159m (£109m) for the UK.

The fund's allocation to Birmingham will go towards a £290m improvement programme drawn up by the local authorities in conjunction with other public sector bodies. It is aimed at renewing infrastructure, improving transport, providing training facilities and giving advice and loans to businesses, in an effort to make the inner-city area more attractive to private investors.

About 30,000 jobs are expected to be preserved and created in the programme, in an attempt to reverse the serious industrial decline which affected Birmingham in the 1970s and early 1980s.

The Government has seen Birmingham as a test case. It is supporting submissions by other British cities to Brussels for similar aid. Success in securing "integrated operations" money is seen as particularly important in the light of the focus on inner-city regeneration in Britain.

Habitat chief appointed

BY MAGGIE URRY

STOREHOUSE, the retail conglomerate which includes Habitat, Mothercare, BhS and Richards, yesterday appointed Mr Francis Bruguiere as chief executive of the Habitat group worldwide. He will join the Storehouse board.

The move completes the shuffle of chief executives of the various Storehouse chains precipitated by the departure of Mr Denis Cassidy, then running BhS, last September. Mr Cassidy left when Storehouse decided to bring in a group managing director from outside.

Sir Terence Conran, Storehouse chairman, said that the group was close to appointing a managing director. "We have a short-list of four candidates at the moment and expect to announce the appointment in the first quarter of this year."

Mr Bruguiere, aged 52, was chief executive of Habitat France and Belgium and will be replaced there by Mr Giles Oudet.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs
1986							
2nd qtr.	109.7	104.0	97	121.3	154.0	3,203	175.6
3rd qtr.	110.9	105.0	96	123.7	158.7	3,202	200.2
4th qtr.	111.1	107.4	96	126.5	164.3	3,141	213.0
1987							
1st qtr.	111.9	107.2	95	126.4	157.0	3,073	210.4
2nd qtr.	112.4	109.4	96	128.3	166.0	2,965	226.1
3rd qtr	114.7	111.8	92	131.8	171.8	2,827	241.3
April	112.8	109.0	96	130.0	169.0	3,018	217.7
May	112.1	109.6	96	125.4	161.3	2,962	230.5
June	111.7	109.8	96	129.4	167.3	2,925	233.7
July	114.4	111.4	94	131.2	173.7	2,876	235.2
Aug.	115.2	112.1	93	132.5	171.0	2,829	236.9
Sept.	114.4	112.0	92	131.6	171.0	2,772	246.6
Oct.	115.4	113.2	94	133.0	180.8	2,712	261.4
Nov.				134.4		2,649	268.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	100.5	114.9	98.7	109.1	103.1	14.6
2nd qtr.	105.3	101.1	115.7	100.6	109.4	104.1	19.5
3rd qtr.	106.4	101.2	117.5	103.0	108.5	103.2	19.4
4th qtr.	108.5	103.3	116.0	105.3	115.0	104.5	15.5
1987							
1st qtr.	108.0	102.9	117.5	105.0	113.8	101.9	17.4
2nd qtr.	110.8	103.6	117.6	105.9	112.6	106.7	19.6
3rd qtr.	113.1	106.3	119.2	108.2	119.9	107.2	20.2
April	110.4	103.0	117.9	106.0	113.0	106.0	18.1
May	111.4	102.6	118.5	106.0	113.0	106.0	20.6
June	110.7	103.1	116.1	105.9	115.0	105.0	20.2
July	110.9	103.8	119.4	106.9	120.0	107.0	20.9
Aug.	112.5	104.1	120.3	108.0	119.0	107.3	17.8
Sept.	112.9	107.5	118.3	110.0	117.0	107.0	21.8
Oct.	114.4	108.3	119.3	111.0	125.0	109.0	17.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.8	128.1	-1,686	+146	+755	102.5	19.29
3rd qtr.	122.6	136.0	-2,391	-356	+621	103.2	22.43
4th qtr.	130.5	144.0	-2,725	-889	+746	100.9	21.92
1987							
1st qtr.	130.0	133.2	-1,125	+872	+1,164	100.3	27.04
2nd qtr.	132.6	142.7	-2,383	-40	+1,233	102.7	34.36
3rd qtr.	130.7	151.0	-3,045	-1,146	+942	103.0	34.81
May	134.3	144.8	-1,107	-532	+365	103.2	34.68
June	134.4	150.1	-748	-174	+343	104.4	34.36
July	130.9	147.5	-925	-291	+284	104.1	34.91
Aug.	126.6	155.1	-1,507	-373	+325	103.9	34.36
Sept.	134.6	150.1	-617	+17	+336	104.0	34.81
Oct.	134.6	148.1	-862	-282	+398	104.9	41.40
Nov.	136.1	153.5	-1,195	-685	+341	103.9	41.28
Dec.							44.30

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit £m	Base rate %
1986							
2nd qtr.	3.1	35.9	27.2	+8,455	1,433	+346	10.00
3rd qtr.	5.9	30.3	15.4	+6,285	163	+792	10.00
4th qtr.	7.8	15.2	14.1	+10,516	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,723	1,465	+952	10.00
2nd qtr.	3.3	29.7	26.3	+8,634	1,804	+1,053	9.00
3rd qtr.	5.1	25.2	21.7	+11,465	1,211	+949	10.00
May	5.5	27.6	22.3	+2,902	521	+324	9.00
June	4.5	30.5	21.9	+3,279	556	+330	9.00
July	7.7	24.5	21.9	+4,530	347	+432	9.00
Aug.	7.1	22.5	21.9	+3,453	667	+306	10.00
Sept.	9.5	19.5	21.5	+3,431	197	+412	10.00
Oct.	6.9	26.7	22.0	+2,973	812	+412	9.50
Nov.	7.1	23.2	21.2	+3,306	1,136		9.00
Dec.							8.50

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.3	96.5	96.2	1,625	75.1
2nd qtr.	184.0	125.8	145.7	97.5	98.7	1,714	76.1
3rd qtr.	187.4	130.5	146.5	97.9	97.3	1,664	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,668	68.2
1987							
1st qtr.	193.0	129.6	149.3	100.3	100.5	1,580	69.9
2nd qtr.	196.0	128.7	150.9	101.9	101.6	1,598	72.8
3rd qtr.	202.0	131.2	151.6	102.1	100.5	1,647	72.7
April	196.0	128.4	150.5	101.8	101.8	1,554	72.4
May	195.1	128.0	150.9	101.9	101.6	1,596	73.3
June	200.0	129.7	151.1	101.9	101.4	1,639	72.6
July	203.1	130.5	151.1	101.8	101.4	1,635	72.8
Aug.	201.6	131.3	151.5	102.1	100.7	1,652	[illegible]
Sept.	201.4	131.1	152.0	102.4	100.4	1,652	73.1
Oct.	203.4	131.6	152.3	102.9	101.1	1,652	73.6
Nov.		131.6	153.2	103.4	101.6	1,712	75.4
Dec.						1,707	75.8

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

Council chief suspended on full pay

By Richard Tomkins, Midlands Correspondent

MR TOM CAULCOTT, chief executive of Birmingham City Council, has been suspended on full pay because of remarks he is said to have made about his employers while interviewing potential successors.

The post is one of the most senior in local government and carries a salary of £65,000 a year. The council said that Mr Bernard Farr, City Treasurer, would act as chief executive until further notice.

Mr Caulcott, aged 60, announced last October that he would retire on May 1 this year. He came to Birmingham City Council in 1983 after a career as a senior civil servant and six years as secretary of the Association of Metropolitan Authorities. He is highly regarded as a chief executive but has sometimes had an abrasive relationship with his political masters.

None of the parties involved would comment on the suspension yesterday, but Mr Dick Knowles, leader of the council, put out a statement saying that Mr Caulcott had been suspended because of the seriousness of the allegations.

"It would not be fair to Mr Caulcott to go into the allegations in any detail, but I have to say that they concern remarks or innuendo which he is alleged to have made about elected members and the city council generally when he was talking about the job which he is about to leave," Mr Knowles said.

Servis in £6m buy-out

By Charles Batchelor

THE MANAGERS of the Servis Group, Britain's third-largest *manufacturer of washing* machines, have staged a £6m buy-out of their company from the Gooding Group, the privately-owned industrial holding company headed by Mr Alf Gooding.

Servis is a Birmingham-based company, the assets of which were bought from the receiver by the Gooding Group for £3.75m in March 1985. Servis had failed three weeks earlier with debts of about £11m. Within the Gooding Group it has expanded its range of washing machines and has begun producing microwave ovens and fridge-freezers.

Servis's managers, led by Mr Graham Young, the finance director who is now chief executive, and Mr Kevin Moat, commercial director, beat off four rival offers to win control of the company.

The buy-out was financed by Security Pacific Eurofinance, the merchant bank, which will also provide a further £2m of working capital. Mr Stephen Welton, head of acquisitions finance at Security Pacific, said the buy-out involved a relatively small amount of equity and a large amount of debt.

The strong cash flow from Servis's National Homecare service network and the asset backing of its manufacturing operations had permitted the deal to be structured along the more highly geared lines common in the US, he said.

Servis employs 1,400 people and has a customer base of more than 300,000.

Servis is the second Gooding Group company to be sold in a management buy-out in the past six months. In July, Porth Decorative Products, which makes *artificial Christmas trees,* was sold for £12m.

Coopers loses seven staff

By Richard Waters

COOPERS & Lybrand, which runs the largest management consultancy practice of any accountancy firm, has suffered a rare defection with the loss of a small team of consultants.

Seven manufacturing and distribution specialists have left to set up an independent consultancy, York MDM, based in Leeds. The consultants are experts in resource planning and just-in-time (a technique for minimising stock levels).

Mr David Miller, who runs the firm's consultancy operation, said the loss would not damage Coopers, which has 130 consultants in its manufacturing division out of a total staff of 750. *However, he acknowledged that* the firm had tried unsuccessfully to negotiate a collaboration with York, and it expected to lose work to the new venture.

Gateway to Wales

A PLAN to establish Cardiff as one of the UK's leading tourist centres was launched by the Welsh capital yesterday.

The scheme, produced by Tibbalds Colbourne Partnership, envisages a more modern image for Cardiff as the gateway to Wales.

David Churchill and Alice Rawsthorn on public pressure for stricter regulations

Fatal fires fuel the foam furniture debate

IN THE late 1950s, the invention of polyurethane foam revolutionised the British furniture industry. The days of the lumpy horsehair sofa were over; the era of the cheap and cheerful three-piece suite had begun.

Yet the same polyurethane foam which ushered in an era of prosperity for Britain's furniture manufacturers has plunged the industry into crisis.

After a tragic series of deaths in house fires over the Christmas holiday period, public pressure *has mounted for the Government* to tighten its regulations on the use of foam in upholstered furniture. The toxic fumes emitted from burning foam were identified by fire officers as an important cause of the deaths.

The industry, which had been preparing for a new set of regulations to be introduced later this year, is now concerned that the Government will bow to pressure for different, more severe restrictions.

The chief concern of the *British Furniture Manufacturers'* Federation is that the Government will table an immediate ban on the use of polyurethane foam. In principle the federation favours a ban. But it argues that such a restriction should be phased in gradually, thereby giving furniture manufacturers time to adjust to the new regulations.

Toxic fumes from burning foam furniture can kill

Almost all the upholstered furniture now sold in Britain is foam-filled and most of it is made by British companies. Imports account for only 18 per cent of a market worth more £470m at trade prices in 1986, according to the BFMF. More than 30,000 people, almost half the furniture workforce, are involved with upholstery pro*duction.*

Hillsdown Holdings, which has extensive interests in food and furniture, is the largest player in the industry through companies like Christie Tyler. The rest of the industry ranges from sizeable businesses, such as Alston's of Colchester and Frayling Furniture near Manchester, to tiny enterprises in the inner cities.

To the consumer lobbies, which have become increasingly concerned at the fire risk from upholstered furniture, the safest solution would be to replace polyurethane foam with higher-density fillings. They also advocate the use of flame retardant fabrics for covers.

The industry argues that the *use of different foams* and fabrics will increase the cost of upholstered furniture. Estimates of the exact increase vary, but the BFMF suggests the use of high density fillings would add £30 to the cost of making a sofa and £50 to the retail price.

Given that the price of all upholstered furniture — whether made in Britain or overseas — would rise, no individual manufacturers should be disadvantaged by the price increase. But the industry could find that retailers may force manufacturers to bear the brunt of the increase.

The industry also argues that it would be hard to secure enough supplies of high-density *foam and flame retardant fab*rics. Manufacturers also claim that foam technology is not yet advanced enough to produce suitable fire resistant material for the soft style of furniture now fashionable.

Yet as demand increases, these supply problems would eventually be solved, and the economies of scale wrought by high volume production could reduce prices. *But in the meantime,* according to Mr Peter Whiting, a director of Christie Tyler, it would not be practicable for the industry to switch to fire resistant fillings and fabrics overnight.

Most manufacturers accept, though, that change is inevitable. Alston's, which produces 500 suites a week with a workforce of 150, has already begun to prepare *for tighter regulations.* It has introduced higher density fillings to the arms of some of its suites and has stopped using fabrics like viscose in the covers. Like all its fellow manufacturers, it is working with foam and fabric companies on developing new fire resistant products.

Retailers, meanwhile, are having to deal with consumers confused about the safety of foam-filled furniture. "We have had a number of customers ring up today to cancel their three-piece suites, even though the furniture they would be buying is almost *certainly safer than their exist*ing furniture if it is several years old," points out Mr David Dawkins, group merchandising director for Harris Queensway, the furniture retailer.

Harris Queensway and other *furniture retailers,* such as the MFI stores, are bowing to public concern by introducing fire-retardant furniture over the next few weeks.

This furniture will almost certainly command higher prices, *forcing retailers to continue* selling furniture filled with less fire-retardant foam (but still within the safety limits imposed by current regulations).

"I *don't* think all consumers will pay more at present for furniture with safer foam, so we have to keep selling existing stocks," adds Mr Dawkins.

The strength of public concern about the recent spate of fire tragedies has come as a surprise to the Government. Since the fire at a Woolworth store several years ago, when foam-filled furniture caught fire, the Government has moved steadily to reduce the risk from polyurethene in furniture.

Last summer it circulated a code of practice covering the use of polyurethene foam with greater fire resistance and had planned to include this code in new regulations some time this year.

This would make it a criminal offence - subject to a maximum £2,000 fine or two years' imprisonment - to breach the new regulations.

However, Mr Francis Maude, the Consumer Affairs Minister, is *understood to be* anxious to introduce the regulations as speedily as possible. But even if they were published within the next few weeks, they would still not take effect until early summer.

The proposed regulations, however, are already seen by consumer and safety groups as less effective than they would like. The Consumers' Association described them yesterday as "wooly and confusing", while the British Safety Council said they would "take 10 to 20 years to have any effect."

Tomorrow the Chief Fire Officers' Association is expected to add to the pressure on the Government and call for all furniture to pass the so-called "match test", which makes it resistant to a lighted match, instead of a burning cigarette as under the present regulations.

Industrialist is Design Council director

BY ALICE RAWSTHORN

THE DESIGN COUNCIL, which has been clouded by controversy in the past year, yesterday announced the appointment of Mr Ivor Owen as its director following the unexpected departure of Mr Keith Grant.

Until last spring Mr Owen, 57, was chairman of Thorn EMI's appliances and lighting division. He resigned abruptly following a disagreement over the future of the business.

Mr Owen, who has been a member of the Design Council since 1981, is the first industrialist to *fill the post of director. His* predecessors have tended to be drawn from design and the arts. The choice of an industrialist as director reflects the council's recent change of emphasis which involves forging closer links with *industry.*

Mr Grant has been director of the council for the past 10years. His time as director has embraced a fertile period for commercial design. The Government has played a more active role in encouraging industry to become more involved with design, at the behest of Mrs Thatcher, and the design sector *has boomed.*

Mr Grant said yesterday that he had decided to retire from the directorship because, at 53, he had "just enough time to fit in *one more career". Mr Grant said* that he now had a "choice" of jobs and was not yet in a position to make an announcement about his future.

The Design Council, which has *the unenviable task of attempt*ing to bridge the different worlds of design and industry, has long been dogged by controversy. But early last year arguments over its role came to a head following the publication of an interview with Sir Simon Hornby, its recently appointed chairman, in Vogue magazine.

In the interview — entitled "The Design Council: Dead as a Dodo?" — Sir Simon, who is also chairman of the W. H. Smith retail group, was reported as criticising various aspects of the council's work.

That furore has been followed by recent reports that the council has overspent its budget for the present year. It confirmed yesterday that cuts in management expenditure had been *implemented.*

Mr Ivor Owen, Design Council director

BA applies for BCal air routes

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS, in process of taking over British Caledonian Airways, has begun to apply to the Civil Aviation Authority for some of the UK internal routes flown by BCal.

BA is seeking rights to take over the Gatwick to Glasgow, Edinburgh and Manchester services which have been flown by BCal for several years, as soon as the existing BCal licences are rescinded.

One of the conditions laid down by the Monopolies Commission in approving the BA-BCal merger was that BA would surrender to the Civil Aviation Authority BCal's licences for UK domestic air routes as well as licences for a number of European short-haul international routes, including Paris, Brussels and Nice.

Those routes are all being put up for reallocation by the CAA, with other airlines free to bid for them.

But BA *itself* has reserved the right to re-apply for them.

Several independent airlines have already applied for some of those routes.

Dan-Air has applied for the *Gatwick-Manchester and Man*chester-Aberdeen routes; Loganair has applied for the routes from Gatwick to Glasgow and Edinburgh; and British Island Airways has applied for Gatwick to Manchester, Glasgow, Edinburgh and Jersey, and also for Gatwick-Nice.

Scottish-Welsh steel group proposed

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

BRITISH STEEL'S plants in Scotland and north Wales are to be studied to see if they could be hived off into a separate entity when the corporation is privatised next year.

British Steel's Ravenscraig, Dalzell and Clydesdale plants are in the Motherwell District Council area. It has commissioned Arthur Young, the accountant, to investigate urgently forms of privatisation that would best secure the future of the component parts of British Steel after privatisation.

It will look in particular at the feasibility of creating a separate new materials group, which would include the Ravenscraig continuously-cast slab and hot-rolled mill, the coated strip and sheet mill at Shotton in north Wales, and the Clydesdale and Dalzell plate mills.

In a letter in today's Financial Times, Dr Jeremy Bray, Labour MP for Motherwell South, highlights the danger that a privatised British Steel would close the hot-rolled mill at Ravenscraig once the Government's guarantee of this part of the plant expires in 1989. The future of the continuous casting section of the plant is guaranteed "subject to market conditions" for seven years.

Dr Bray argues that Ravenscraig and the Shotton coated sheet plant which it supplies with raw material would, with Clydesdale and Dalzell, "almost certainly" make "a very viable enterprise".

It would use a more advanced *technology than the Port Talbot* and Llanwern plants in south Wales, in which British Steel is currently investing heavily, Dr Bray says.

The MP says there are many possible ways in which the new entity could be structured, possibly with other British or overseas companies.

"The Government considered privatising the Scottish plants separately," Dr Bray said yesterday, "but nobody thinks that is sensible. It did not consider combining Scotland with north Wales. This is a thoroughly serious suggestion."

He hoped Arthur Young would be able to present its first findings by the end of January, just before the Government publishes its bill for the privatisation of British Steel.

He said the study would cost up to £60,000. Motherwell District Council is being supported *by neighbouring councils in the* venture and it is hoped to involve the local authority at Shotton.

Dr Bray said he hoped British Steel, the Government and interested companies would co-operate in the study.

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Which? car survey angers Fiat

BY JOHN GRIFFITHS

FIAT'S wholly-owned UK importer indicated yesterday it may take legal action against the Consumers' Association over a car reliability survey in the latest issue of Which?, the association's magazine, in which both Fiat and Austin Rover cars are severely criticised.

The survey, based on responses from 25,000 owners of cars of all types, picked out Fiat's Uno and Regata, and Aus*tin Rover's Metro and Montego,* as unreliable new car "lemons". In contrast, "star" cars were named as the Audi 100, Mercedes 190, Nissan Micra and Sunny, and Toyota Corolla and Carina.

Austin Rover said it was not considering any action but added: "We think the report is a lemon, not the cars."

The Fiat Panda, Austin Rover Mini and Rover SDI, and Ford Sierra 1.6 were singled out as three to five-year-old "lemons"

Which? said one in five of the least reliable new cars in the survey had broken down or failed to start in the last year, three-quarters or more had a problem of some kind and up to a half had components replaced unexpectedly.

In a letter to the Consumers' Association, Fiat claimed the survey was "misleading and unjustified", having been based on samples that were too small *and out of date. "Perhaps the* most damning factor is that the sample of Fiat Uno numbered only 40 out of a total of 67,800 sold in the UK since January 1986," it said.

The letter urged the association to reconsider publication of the report *in its present form,* failing which the company reserved its "right to pursue the matter further to rectify this injustice".

Ms Sue Leggate, Which?'s deputy editor, said the Uno sample had been based on 97 cars, sufficient for the magazine to draw statistically valid conclusions. "When the sample is too small statistically for reliable conclusions to be drawn we say so," she said.

Ms Leggate acknowledged that the new cars referred to were purchased in 1985-86, but pointed out that there was a need for some considerable time *to elapse and mileage to accrue* before reasonable assessments of reliability could be made.

● Vauxhall today increases the prices of its cars by an average of 3 per cent and Bedford vans by an average of 2.9 per cent. Two Astra models also have specification improvements.

● Prices of Soviet-built Lada cars have been raised by an average of just under 2 per cent.

Surgeons call for less night surgery

BY DAVID FISHLOCK, SCIENCE EDITOR

SURGEONS called yesterday for the amount of surgery they *per*form at night to be reduced to a minimum because it is safer to operate in the daytime.

The appeal is part of a demand for expanded facilities and manpower contained in a report on the composition of a surgical team, published by the Royal College of Surgeons.

In proposing less intensive use of some of the health services' most costly investments, the report runs counter to trends in industry, but its case is based on patients' interests.

Sir David Innes Williams, chairman of the Imperial Cancer Research Fund and former chairman of the royal college's standing commission, said yesterday: "Daytime surgery is a much safer form of treatment."

According to the report, night emergency work is extremely taxing especially to the older surgical consultant and can affect the ability to work efficiently the next day.

The report asks the health services to expand the number of consultants by about 2 per cent a year. It says many night emergency cases are operated on by junior staff because the operating theatre and the consultants have been occupied during the day by planned surgery.

The surgeons believe that few night cases warrant urgent surgery and "many patients will benefit from a period of resuscitation and investigation followed by surgery under the safer conditions of the daytime regime".

The composition of a surgical team. Published by the Royal College of Surgeons of England, Lincoln's Inn Fields, London, WC1.

Business loan plan simplified

BY CHARLES BATCHELOR

SMALL BUSINESSES should find it easier to obtain loans under *the Government's loan guarantee* scheme as a result of a decision by Mr John Cope, Employment Minister, to simplify the application procedure.

Under the scheme, the Government guarantees 70 per cent of the value of loans made by banks to small businesses up to a maximum of £75,000. The scheme has tended to be used by small concerns which have exhausted other lending sources *or which have projects consid*ered too risky for normal loans.

Since the full implementation of the Consumer Credit Act in May 1985, which required extensive documentation before the loans could be made, the banks have found it unattractive to *lend under the scheme. This has* meant that the supply of loans to self-employed businessmen and partnerships has almost dried up. Loans to limited companies, which are not covered by the Consumer Credit Act, were not affected.

The Government has now agreed that the banks may approve loan applications themselves without referring them to the Department of the Employment.

The clearing banks yesterday welcomed the easing of the rules.

NHS beds 'disappear'

BY JOHN HUNT

THE AVERAGE number of National Health Service hospital beds available daily in England has decreased by 18,889 or 13 per cent since Mrs Margaret Thatcher became Prime Minister in 1979, Mr Robin Cook, the shadow Health and Social Security Minister, said yesterday.

He was launching the Labour Party's Bedwatch '88 scheme, which aims to show throughout the year "how fast our hospital beds are disappearing."

According to Mr Cook's figures, there were 147,044 hospital beds available in 1979, compared with 128,155 last November.

He said the 18,889 bed losses were for acute cases.

UK NEWS

Devonport Management overruns refit budgets

BY ANTHONY MORETON

DEVONPORT MANAGEMENT, the consortium which took over the management of the Devonport dockyard at Plymouth in April under a controversial five-year contract with the Ministry of Defence, has run into severe cost overruns on its first two Royal Navy ship refits.

The first, a refit of the Royal Fleet Auxiliary vessel *Orangeleaf* "could have been disastrous" if it had been undertaken on a fixed-price basis, according to Mr Mike Cusack, project manager for the RFA refits.

"We overspent our labour budget by around 20 per cent," he said. The second refit, on the Fort Grange, which has just been completed is also likely to have exceeded labour budgets.

The two refits were carried out on a cost-plus basis, under which all the company's costs are met with a fixed percentage added to give it a profit.

Under new MoD competition rules, the yard's next refit - of the Green Rover - will be a fixed-price contract, with the yard itself having to meet any extra costs.

The refit of the Green Rover, which starts on Monday, has become a test of Devonport Management's ability to compete for the sort of MoD work on which, Mr Cusack says, the future of the dockyard depends.

When the refit is completed the yard will have work remaining on only one more ship from the programme allocated by the ministry. After that it will have to compete with other yards for further Royal Fleet Auxiliary contracts and other unallocated work for the Royal Navy.

Mike Leece: a better start than was thought possible

"Our costs are clearly the centre of the problem," Mr Cusack said. "Commercial refitting is a very competitive business.

"The nature of the work requires a completely different approach to what we have been used to. To win RFA refits and other commercial contracts we need to adopt this different approach."

The government decision to award a five-year management contract to Devonport Management, in which Brown and Root of the US is the leading partner, was opposed by Plymouth Conservatives as well as the Devonport unions, which described it as back-door privatisation and mounted an unsuccessful High Court attempt to have it blocked.

The unions claimed the company would run down the workforce at a faster rate than forecast, a prophecy that has already come true. Devonport Management assured the 11,200-strong workforce last April that the number "should remain stable over the next 18 months". But it has already been cut by 450 and is planned to go down to 9,200 by April and 8,200 a year later.

According to Mr Mike Leece, Devonport Management managing director, the yard has won 620 contracts of which 110 worth a total of £2.6m are with private companies. This, he admits, is a small start in terms of Devonport's size "but it is larger than was thought possible at this early stage of our commercial development".

Directors urge basic income tax rate of 20%

By Ralph Atkins

THE GOVERNMENT should aim to cut the basic rate of income tax to 20 per cent or less within four years and abolish higher rates, the Institute of Directors urged yesterday.

Tax cuts should be accompanied by reform of personal taxation and a reduction in the burden of company taxes, said the institute at the launch of its representations for the 1988 Budget.

Sir John Hoskyns, director-general of the institute, said there was a growing understanding that low taxation was the key to economic growth. With tax revenues buoyant and a strong Government just starting its third term, the Government may never have a better opportunity to transform the tax system.

Mr Nigel Lawson, the Chancellor, is due to meet Treasury ministers and senior civil servants this weekend at Chevening, Kent, to discuss possible tax changes.

Sir John called on Mr Lawson to "trust his instincts and let the genie out of the bottle". He should aim to reduce the tax burden as a percentage of gross domestic product from the present 38 per cent to at least the 33 per cent inherited from the Labour Government in 1979.

The institute believes it has won the intellectual argument for wide-ranging tax cuts and that it is only prudence that is slowing the process of reform by the Government. By 1996-97, it argues, it should be possible to reduce income tax, corporation tax and VAT all to 10 per cent.

The institute's Budget package also proposes cutting corporation tax to match the single rate of income tax. The basic rate of income tax is expected to be cut to 25 per cent or less this year.

The rate of capital gains tax should be cut to 20 per cent and abolished as soon as possible, the institute argues. Inheritance tax - which the institute says disrupts businesses when major shareholders die and goes against the Government's pledge to widen share ownership - should be abolished immediately.

The institute estimates its package would cost £6bn in the first year as conventionally calculated, but the stimulus it would give to the economy would expand the tax base and so increase revenues. This and other measures, it argues, would reduce the real cost to about £3bn.

The package could be financed partly by relaxing restrictions on the public sector borrowing requirements, the institute believes.

Liverpool Maritime to close after fall in African trade

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

LIVERPOOL MARITIME Terminals, part of the Ocean Group and the last large independent stevedoring company in the Mersey docks, is to shut down on February 13 because of continuing losses resulting from a fall in West African trade.

Redundancies will affect 68 staff but negotiations will begin next week on the future of 252 registered dockworkers who cannot easily be sacked because of the terms of the National Dock Labour Scheme and associated industry agreements.

Under the industry's usual practice, the men should be re-allocated among remaining employers which realistically means that the Mersey Docks and Harbour Company should take them on. However, the MDHC had a surplus of 150 men yesterday and is likely to fight re-allocation.

Mr Jimmy Symes, the Transport and General Workers Union officer responsible for the Port of Liverpool, said yesterday: "The closure is shocking. These men must all be re-allocated. There is a month to talk about this. We shall have to see what happens."

The Port of Liverpool has about 1,300 registered dockworkers, including the LMT men, and has been trying to cut down through a government-backed voluntary redundancy scheme which ended in December. Dockers with more than 15 years' service received £35,000, all but £10,000 of which was met by government.

Mr Ken Birch, managing director of Ocean's shipping and marine services division, said that African trade had halved since 1981 to about 500,000 tonnes a year - mainly bulk commodities from Nigeria. This was growing again but not fast enough to sustain LMT.

Mr Birch said that the UK-West Africa Line intended to carry on at Liverpool subject to negotiation for the MDHC to take over stevedoring.

Ocean has two other small stevedoring operations in the Mersey. Rea Bulk Handling at Birkenhead employs 51 registered dockworkers while there are 19 at Weston Point Docks, which is on the Wirral Peninsula but part of the Manchester Ship Canal.

Meanwhile the Mersey is this week about to lose another 44 stevedoring jobs because B and I Line, owned by the Irish Government, is concentrating its ferry services on the shorter and profitable Holyhead-Dublin route. These men, too, have to be re-allocated under the National Dock Labour Scheme.

The last time a stevedoring company closed was in February last year when 60 men employed by Containerbase were involved. Re-allocation was refused by the two main remaining employers, the MDHC and LMT.

The issue went to the brink of a national dock strike before a solution was found. A "shell" company was formed by MDHC and LMT to employ the men and buy time while they could be absorbed. Mr Symes said that since there was still a backlog of about 10 of these men to deal with, that solution could be ruled out this time.

Negotiations are likely to centre on reactivation of the severance scheme. The employers would have had to bear all the costs of continuing the scheme into this year to solve a normal overmanning problem, but the closure will qualify it for renewed Government support.

● A £6m roll-on, roll-off freight ferry facility is to be built at Belfast Harbour. The project will allow larger vessels to use the port and will provide more space for the movement of cars and containers.

Scotland managers buy Indy operation

By James Buxton, Scottish Correspondent

INDY ELECTRONICS, a privately-owned California-based company, has sold its European operations to the management team at its plant at Irvine in Ayrshire in a buy-out worth more than £5m.

Indy claims to be Europe's largest independent company in the field of assembling semiconductors.

The 70,000 sq ft plant at Irvine, which employs 235 people, began operating early in 1986 and is scheduled to begin making profits this year.

Mr Jacob Ratinoff, Indy's US owner, is selling for personal reasons and gave Mr Mick Denham, the plant's managing director, the first opportunity to buy the operation.

Under the deal Indy Electronics of Manteca, California, receives about £3.6m.

More than £1m is being injected into the new company by investors in Industry (3i), the venture capital group, and the Scottish Development Agency.

DTI plan splits accountants

BY RICHARD WATERS

ACCOUNTANTS are divided over government plans to crack down on schemes designed to give a distorted picture in group accounts.

The Department of Trade and Industry has proposed an amendment in the next Companies Act which would force companies to treat as subsidiaries all companies over which they have control, rather than only those in which they hold a majority of the shares.

This would outlaw arrangements for channeling liabilities into specially created companies which are then excluded from a group's figures to improve its apparent position.

In a letter to the DTI released today, the Chartered Association of Certified Accountants says the proposed change in the law does not go far enough. But the Institute of Chartered Accountants of Scotland has claimed that in some respects the change goes too far.

According to the association, companies will still be able to exclude subsidiaries from their consolidated accounts if their activities are different from those of the rest of the group. Some companies will abuse this to keep subsidiaries out of their accounts, it warns.

The US Financial Accounting Standards Board, in an accounting standard issued last autumn, ruled that all subsidiaries should be consolidated, regardless of their activities. It specifically mentioned the "finance, insurance, real estate and leasing subsidiaries of manufacturing and merchandising enterprises".

In the UK, many subsidiaries of these types are excluded from consolidated accounts, using the 'different activity' rule.

The Scottish Institute, meanwhile, claims in a letter to the DTI that the proposed changes could have unforeseen side effects. Some groups would have to include in their accounts all associated companies in which they own more than 30 per cent of the shares, and some companies would be treated as subsidiaries of more than one parent.

The Scottish Institute, like the Institute of Chartered Accountants in England and Wales, has called on the Government to leave auditors to decide whether a subsidiary should be consolidated.

Auditors should be able to qualify a company's accounts if they disagree with the accounting policy adopted, they say. For this to happen, the law would need to be changed to leave it to auditors, rather than lawyers, to decide the status of a subsidiary.

EC tax proposals criticised

BY JOHN HUNT

CONCERN at cuts in the tax on cigarettes and alcohol that would result from European Commission harmonisation proposals is expressed in a report from the all-party Commons Select Committee on European legislation.

It says the commission's wide-ranging package raises matters of great political importance and should be debated urgently in the Commons.

The worry is over the effect on public health and the massive loss of revenue to the UK - estimated at £2.3bn a year in the case of alcohol. The Government told the committee that planned cuts in duty on alcoholic drinks would range from about 40 per cent on spirits, a fall of £2.30 per 75cl bottle, to 85 per cent on table wine, a reduction of 70p per 70cl bottle.

It believed this would have unpredictable social consequences and implications for health and law and order policy.

The committee says the proposals would require the UK to reduce excise duty and value added tax on cigarettes by about 10 per cent, or 12p per packet of 20 kingsize.

The government view is that such a cut would lead to a 4 per cent rise in cigarette consumption with consequences for national health policy.

The report argues that cutting the specific duty element would put the UK industry at a disadvantage in the face of competition from cheap imports.

Adopting the cigarette proposals would produce a revenue loss, including VAT, of about £330m in a full year.

Harmonisation would force the UK to cut excise duty and VAT on cigars, cigarillos and smoking tobacco by over 50 per cent, to cease making a tax distinction between hand-rolling tobacco and pipe tobacco and to reintroduce duty on snuff. This would mean price cuts of 65p to 80p per 25 grammes for hand-rolling and pipe tobacco, with a revenue loss of £200m a year.

The proposals would also mean levying VAT at 4 to 9 per cent on items now zero rated in the UK, including food, books, newspapers and periodicals.

MP jailed over Ulster protest

By Our Belfast Correspondent

MR CECIL WALKER, the North Belfast Official Unionist MP, yesterday became the first MP to be jailed as a result of Northern Ireland's new public order legislation introduced last April.

Mr Walker and Mr Fred Cobain, the Official Unionist leader on Belfast City Council, were arrested for refusing to pay fines imposed for taking part in an illegal protest march against the legislation shortly after it was introduced.

They have each been imprisoned for seven days for refusing to pay the fines imposed at Belfast Magistrates Court last October.

Nick Garnett reports strong demand for high-quality miniatures

Model cars make their marque

POP STARS love them. Nick Mason of Pink Floyd even visits some of the tiny factories in which they are made. Film directors buy them. John Frankenheimer had many of his stolen but recovered most of them. Children drool over them but it is mostly their fathers who collect them.

In Britain and across Europe, perhaps hundreds of small businesses have been set up to pander to a growing phenomenon. In nondescript sheds, small factories or even domestic kitchens, high-quality miniature cars are being hand-built in their millions.

Made out of metal or resin, these grown-up playthings, rather like super Dinkies, usually cost between £20 and £150. The most detailed models, such as those made by the Italian company Bosica, can cost £2,000 or more.

Normally made to a 1:43 scale, the cars have a feel that sets them apart from a toy. They can weigh up to 1lb. The models might come with photo-etched windscreen frames and radiator grilles, leather seats and sun visors.

Many are sent to the US, where demand is strong but the production of miniature metal cars is low. Some sales are directed at the collector interested in a theme. Rock guitarist Eric Clapton, for example, has a huge collection of miniature Ferraris. "Collectors are just big kids really," says one maker.

A small but important business is supplying vehicle manufacturers with promotional miniature models. *Somerville* in Lincoln makes these for Saab, and NZG and Conrad in West Germany have cornered much of the market for model tractors, trucks and construction machinery.

The models are often the product of one man in his own garage. Companies such as Brooklin in Bath, Western Models in Somerset, Danhausen and Tin Wizard in West Germany and the French company AMR might employ about 20, using casting machines derived from the jewellery trade and generating yearly sales of up to £0.5m.

These grown-up playthings, rather like super Dinkies, usually cost between £20 and £150. The most detailed models can cost £2,000 or more

Although these businesses are small, the demand for collectable miniature cars is expanding so fast that it is starting to influence the marketing of much larger companies which produce toy cars for children.

"Big toy companies used to laugh at us but they are now having to get into the collectors' market," says Mr John Hall, Brooklin's owner. "This used to be a nothing market but now it is potentially enormous."

As yet, the products of the toy companies do not compete in quality with the French, British and Italian concerns specialising in detailed models.

The worldwide miniature and toy car industry is immensely fragmented. At the bottom end of the toy market, where miniatures have virtually no proper scale and employ crude die-cast metal, world production has been concentrated in Hong Kong and Macau, and now in Thailand and South Korea.

Further up the ladder are manufacturers making quality, die-cast miniatures in large numbers essentially for the toy market and including much of the Macau-made Matchbox range, Britains and Corgi in the UK and Majorette in France.

Matchbox, part of the Universal group of Hong Kong, is resurrecting the Dinky name this year to make what it says will be "collectable" miniature cars. Corgi, in Swansea, the UK's biggest producer of toy cars, is expanding output of its Corgi Classics, which are partly aimed at collectors. In France, Majorette has purchased Solido, a maker of classic die-cast cars at the bottom end of the collectors' market.

The Continental Europeans have a stranglehold so far on this section of the industry, producing at costs that British manufacturers find tough to compete with. As well as Solido, these companies include Eligor of France, Rio and Brumm in Italy, and Vitesse in Portugal, selling models at prices as low as £6. Burago of Italy uses a small factory equipped with robots to manufacture high-quality miniatures of various scales at low production costs. Surprisingly, the Soviet Union is in this sector with Zil and Chaika model cars built by Auto USSR.

At a higher quality level are the specialist hand-building model makers. Most of these use centrifugal casting machines and tin alloy instead of die-cast techniques.

Western Models was set up 14 years ago by Mr Mike Stephens, a 46-year-old former travel agent, and produces more than 15,000 miniatures a year at a small factory in Taunton, Somerset. About 75 per cent of the company's £320,000 turnover comes from exports.

Western has some 100 models in its catalogue, most priced at between £30 and £130. The company also makes promotional models for companies including the Marlboro McLaren racing team and Aston Martin.

Models are made from a brass master model and the final product is about three times heavier than a traditional Dinky. As with many of these companies, Western will carry out sub-contract work.

Two former Western employees set up their own model business, SMTS in Hastings.

The biggest UK company in this field is almost certainly Brooklin. Set up in Canada but subsequently moved to Bath, Brooklin produces about 35,000 miniatures a year. It has a range of 23 cars, all American from the 1930s to the 1960s, selling for about £24 each.

Like Western, Brooklin operates at almost full capacity and has the difficult problem facing many small businesses - how and when to expand.

MANAGEMENT: Marketing and Advertising

Global confectionery

Winners can be a long time coming

Christopher Parkes explains the innovative - and persistent - marketing policy of the Italian Ferrero group

LUXEMBOURG...gateway to the world.

The proposition may elevate a few eyebrows, but Mario Bruzzone is straight-faced. "The palate of Europe resides there," he says. Compact, cosmopolitan, with all the requisite industrial, rural and urban social elements, it has the added advantage of being comfortably off. It therefore qualifies as the ideal test market for a pan-European food company.

Bruzzone, managing director of the Italian Ferrero confectionery group's UK subsidiary, stands confidently by this central point in the company's marketing strategy.

In a nutshell, this states that a new chocolate or sugar confection which goes down well with the locals, Eurocrats and other guest workers crammed into the Grand Duchy can succeed anywhere in Europe, and, increasingly, in the world beyond.

In a gold-wrapped, chocolate-coated wafer shell, the Ferrero Rocher is a case in point.

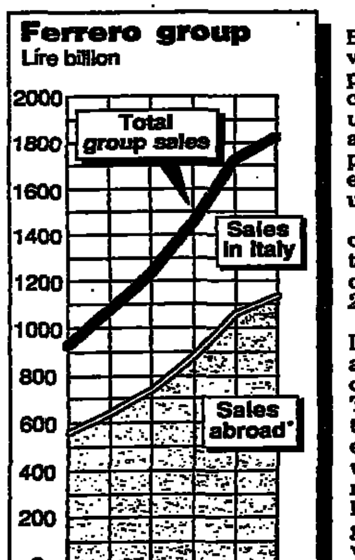
From test marketing in Luxembourg, this tasty little indulgence developed into a Europ-hit with a market profile and a price premium which roused envy and sharp reactions among Ferrero's competitors.

The Rocher has a special place in Bruzzone's heart. "We lost energy and money for 15 years," he says. The company had had earlier whiffs of success with Tic Tac mints and Kinder Surprise eggs. But since 1982, when Bruzzone and the Rocher arrived in Britain, the scenario has been transformed. Ferrero's sales, less than £4m in 1981, will be around £40m this year.

At last, Ferrero, which has production plants in most European countries, Puerto Rico, and has even been manufacturing in Quito, Ecuador, for more than 10 years, feels confident enough to open up in Britain. A small factory has just started work in Llantrisant, near Cardiff.

Ferrero's patience, he says, is partly based on its status as a private company, free from short-term performance pressures. Consequently, it is able, to a large extent, to absorb losses and make mistakes without rousing murmurings from shareholders and City pundits. But it also stems from the management's belief in the global aims of Michele Ferrero, the man referred to group-wide as "the owner."

"In the end our philosophy is one of mass production for the entire world," proclaims Bruzzone, "...or Europe at least."



* Includes sales by overseas manufacturing companies plus exports from Italy

The Ferrero formula is a complex mix of food, engineering and packaging technology which produces confectionery to please most palates with technology to bamboozle would-be imitators.

But the key is originality. Bruzzone claims that true innovations can command a market price premium of 10 to 20 per cent above comparable products. When, like Rocher, they are made on complex, purpose-built, patented machinery, they can hold their premiums for a considerable time.

With Rocher, the Italian company successfully invaded the UK mass market with chocolates selling for almost 20p apiece.

Cadbury is still kicking itself. It feels it should not have allowed Ferrero to create its current niche in the market. The British company's reaction, according to one Cadbury executive, was to come out with a "quick and nasty response." Accordingly, it launched Wishes in 1986, a good 18 months after Rocher was established. Hardly quick (Rowntree had already brought out Eclipse, its Rocher look-alike), and nasty only in the sense that Wishes were intended to grab a portion of the new sector discovered by Ferrero.

Innovation will remain the company's main marketing weapon, and the criteria governing launches will remain strict. "Each product has to be a winner in its own right," says Carlo Ruggiero, Bruzzone's right-hand man. A more conventional confectioner might follow the Rocher with something similar – a range extension – in a new pack. "Our philosophy for 30 years has been not to launch on the back of a success."

The marketing approach is flexible and exhaustive. At any given time Ferrero may have up to 100 new ideas on trial in the UK. Some may be lines already established elsewhere in Europe and widely available in a UK TV region. Some may be moving on from test in Luxembourg. Many will be samples from tiny hand-made production runs available in as few as two shops.

According to Bruzzone, a new product may be on test for as long as 10 years and still not make it into full production. "We want to be unique," he says.

This is particularly important in sweet-toothed Britain, where per capita chocolate consumption is second in world rankings only to that in Switzerland, where a 1 per cent share of the market is worth £30m - and where Cadbury, Rowntree and Mars fiercely defend their dominance.

Bruzzone knows better than to tackle the triumvirate head-on in conventional moulded chocolate bars or countline snacks such as Twix or Bounty. Such products are typically made on off-the-shelf machinery with refinements to inject a little novelty, and blasted into mass markets and mass production with huge promotions.

The big three currently spend about £90m a year between them, dwarfing Ferrero's £2m advertising budget.

"We are very strong in snack bars in West Germany, where we were first," says Bruzzone. "But we don't want to take on Mars here because we can't afford it."

Experience shows, however, that Ferrero will, and can afford to wait.

Mario Bruzzone: "The palate of Europe resides in Luxembourg"

No hiatus in PR spend

BRITAIN'S leading companies seem determined to press ahead with the use of public relations and other corporate communications activity this year in spite of the uncertainties caused by the financial markets in recent months.

The Stock Market slump sent shivers through the UK's public relations consultancy businesses which had grown used to an annual growth rate of 30 per cent or more over the past few years.

But a new survey of 50 of the UK's 200 largest companies reveals that just over half of those surveyed expect to spend more on public relations activities this year than in 1987. Only a few – some 4 per cent – of the senior marketing and communications executives quizzed expected to spend less, while 42 per cent expected to spend the same.

"We were clearly worried by the effects of the stock market crash on corporate communication expenditure," admits Dale Fishburn, chief executive of the McAvoy Wreford Bayley consultancy which commissioned the survey (carried out by Consensus Research).

His fears, however, appear unfounded. None of the executives surveyed believed that their companies would downgrade the importance of corporate communications because of the financial crash. "It would take a long-term bear market for us to change our policy," commented one of the companies surveyed.

Another said: "We are taking a longer term view. We were intending to increase investor relations activity before the crash and will continue to do so."

Investor relations, perhaps not surprisingly, came top of the areas where the companies planned to increase their spending this year, followed closely by spending on corporate brochures and videos.

While the PR sector will be buoyed by the survey's findings, the executives surveyed were less bullish about using advertising, design, and market research in the year ahead. The general view was that spending in these areas would stay "about the same" in 1987.

* Corporate PR Spending, available from McAvoy Wreford Bayley, 36 Grosvenor Gardens, London SW1, price £50.

David Churchill

A chocolate factory that ignores convention

A VAT as big as a house, filled with 2,000 tonnes of cherries in alcohol stands shoulder-to-shoulder with an espresso coffee machine the size of a charabanc. A cooker-extruder in the nearby laboratories squirts out a stream of puffed, pizza-flavoured rice. Next door, giant mills thump the kernels out of cocoa beans; a vegetable oil refinery hisses on the perimeter. A new plastics extrusion plant takes shape next to the office block, where an ex-space scientist uses lasers and micro-fine water jets to slice hazelnuts.

"We have never had a long-term development plan," the guide says, gazing across Ferrero's higgledy-piggledy factory at Alba, a little way from Turin. "This is an empirical company."

From its early days just after the Second World War, when Ferrero scrounged for scarce raw materials to feed its new Italian confectionery business, the company has developed into a £1.3bn-a-year international concern with more of the characteristics of a living organism than a business organisation.

It appears to thrive by ignoring convention at all levels. Its Alba factory, for example, could not be more different from Cadbury's works at Bournville, near Birmingham. There, modern production thinking has banished all secondary processing of components - milk, cocoa and the rest - to remote works miles away, and the factory operates much as a mass production assembly and packaging plant for a select range of products.

Again, contrary to 1980s practice, Ferrero fills all top jobs at home and abroad with Italians. The joke is that owner Michele Ferrero is hopeless in anything other than his own language.

But the truth is that local managers, where they have been tried, find it difficult to understand and apply the Ferrero product development philosophy and try to "adapt" to local tastes products which have been specifically designed to have global appeal.

Executives acknowledge that not working by the book creates some problems. "It might be easier if we had a set of rules for everything...but there would not be so much fun or excitement," says the guide.

The rules, such as they are, are made by Michele Ferrero, who governs from an unusually low profile position with an extraordinarily keen eye for detail from Brussels. His disdain for the cultivation of personalities (kidnapping and extortion are still popular among the Italian banditry) is legendary within the group.

Even though the group now has subsidiaries in 16 countries, Ferrero's preoccupations and style have hardly changed from the 1950s when Michele Ferrero took over the family firm and turned its focus from Italy to the sweeter tooth of northern Europe.

The Alba factory is a microcosm of the global operation. Research technicians, pastry cooks, flavour chemists, marketing staff, taste panels, packaging makers, process workers and management work together on the site, swapping ideas in a constant free exchange.

The guide, a manager with 27 years' service, explains that this familiarity extends round the world.

Keeping in touch, for such an informally structured company which has a proprietor in Brussels, a chief executive in Turin, and a widening spread of international interests, is fraught with complexities. Any consequent inefficiencies are not easy to detect, since, as a private company, Ferrero keeps its bottom line to itself.

But the company must have a hefty travel bill alone. Two or three times a month, all senior international executives are summoned to Brussels or Luxembourg to co-ordinate marketing, discuss the owner's latest product ideas, plan strategy and taste chocolate.

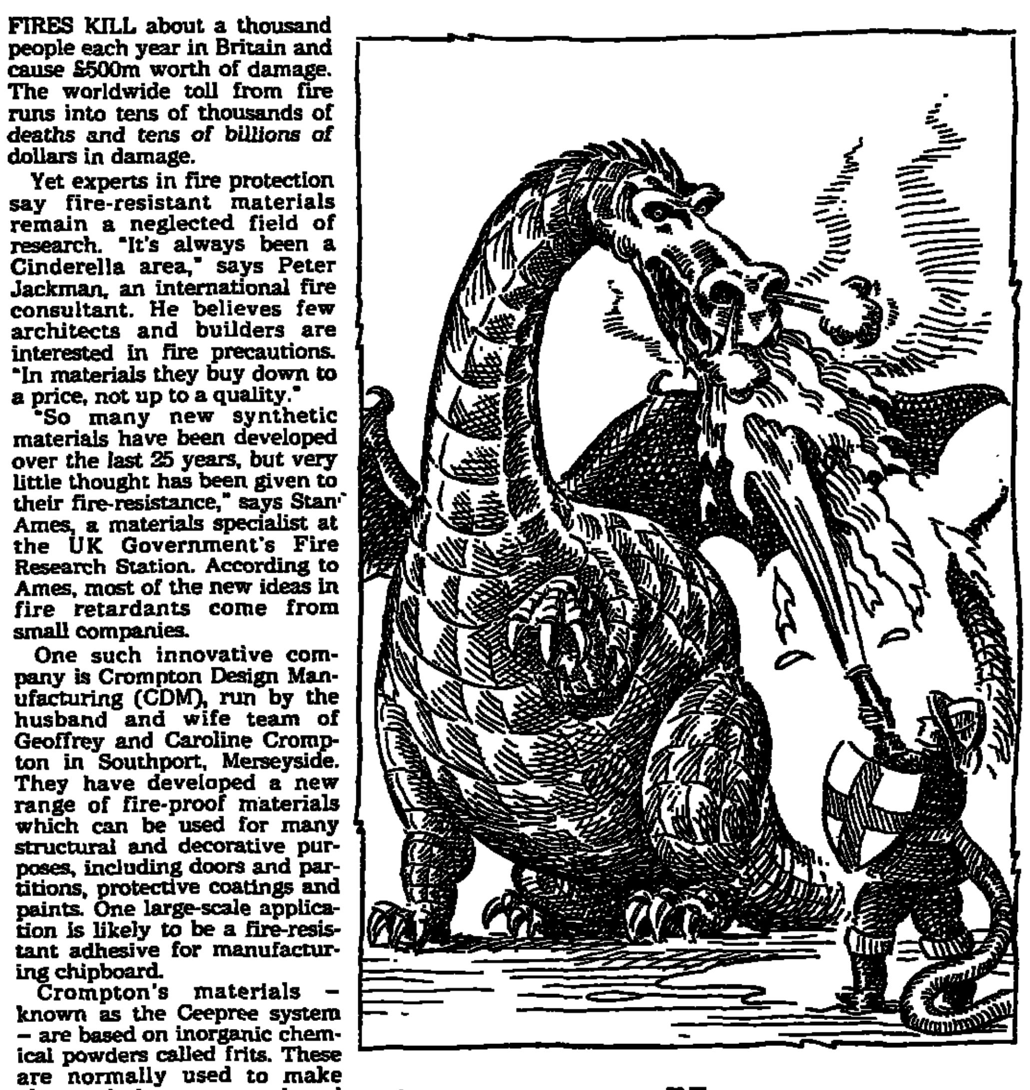
As a consequence, Mario Bruzzone, head of the UK operation, is rarely on base in Britain. When he is, he deals little with day-to-day business. As at the Brussels meetings, 70 per cent of his time is spent on the future...and in Ferrero, that means new products.

Still, his presence in the hierarchy is symptomatic of a subtle change. An outsider who joined the group six years ago after working for Heinz and Nabisco in Italy, he is still something of a rarity, especially since he was sent immediately on joining to take charge in the UK.

"There were no middle managers with outside experience, but a company sometimes needs external inputs on marketing strategy and business practice," he says.

Bruzzone discovered the need for discretion early on. "A foreign body can be an irritant which can cause an unwelcome reaction," he says. First he had to understand the culture and learn the language, and above all to appreciate the perils of taking "revolutionary" steps. "You have to understand you are in a family group."

TECHNOLOGY



How small company ideas are fighting the spead of fire

BY CLIVE COOKSON

FIRES KILL about a thousand people each year in Britain and cause £500m worth of damage. The worldwide toll from fire runs into tens of thousands of deaths and tens of billions of dollars in damage.

Yet experts in fire protection say fire-resistant materials remain a neglected field of research. "It's always been a Cinderella area," says Peter Jackman, an international fire consultant. He believes few architects and builders are interested in fire precautions. "In materials they buy down to a price, not up to a quality."

"So many new synthetic materials have been developed over the last 25 years, but very little thought has been given to their fire-resistance," says Stan Ames, a materials specialist at the UK Government's Fire Research Station. According to Ames, most of the new ideas in fire retardants come from small companies.

One such innovative company is Crompton Design Manufacturing (CDM), run by the husband and wife team of Geoffrey and Caroline Crompton in Southport, Merseyside. They have developed a new range of fire-proof materials which can be used for many structural and decorative purposes, including doors and partitions, protective coatings and paints. One large-scale application is likely to be a fire-resistant adhesive for manufacturing chipboard.

Crompton's materials – known as the Ceepree system – are based on inorganic chemical powders called frits. These are normally used to make glass and vitreous enamel, and for glazing pottery.

Geoffrey Crompton developed a heat-resisting mixture of frits which melt over a wide range of temperatures. In a fire these fuse together and form a protective coating over the core material. Another key ingredient, which Crompton does not wish to identify, is a chemical that holds the coating together and stops it dropping off.

The Ceepree powders can be added to many other materials to increase their resistance to fire. For example Crompton has been working with Primco, a manufacturer of composite materials based in Manchester, to develop fire-resistant sheeting for use in the aerospace industry. For this application, a cloth woven from glass fibres is impregnated with a mixture of Ceepree and phenolic resin.

When the resin starts to burn (at 450 deg C) the Ceepree additives form a charred coating which protects the material for up to 90 minutes at 1,000 deg C. (A similar mechanism has evolved in trees living in areas susceptible to forest fires such as Australia; their outer wood burns into a protective layer of charcoal.)

Frank Caldicot, managing director of Primco, says this material has great potential in aircraft cabins, for which the Civil Aviation Authority in the UK and the Federal Aviation Authority in the US are introducing stricter fire safety regulations (following the 1985 Manchester Airport disaster). Other companies are developing laminate sheets based on combinations of glass fibres and resins, but Caldicot claims: "We have a product that is better by a wide margin than anything currently being used."

The most fire-resistant of all Crompton's materials is a combination of Ceepree powder with insulating board manufactured from silicate minerals. Alan Cross, a materials expert with the giant UK chemical group Imperial Chemical Industries, has experienced its insulating properties first-hand. He pressed his hand against one side of the 15-millimetres-thick board, while a blowtorch heated the other side to more than 2,000 deg C. Cross says he felt no warmth even after several minutes.

ICI has carried out extensive tests on Crompton's materials and is negotiating a collaborative agreement with CDM. "We feel these materials have great potential in fire protection," Cross says. "A lot of fire-retardant materials give off toxic fumes in a prolonged fire. The beauty of this system is that there's no smoke and no fumes."

In addition to its novel materials CDM has an interesting business strategy which could be a model for other innovative small companies. The Cromptons could not raise enough money to manufacture a wide range of Ceepree-based products directly, so they decided to work with an established materials manufacturer in each specialist field.

These companies, which the Cromptons call "developers", are given a license to make and sell a specific type of product. Primco is one. Another is EPS Logistics and Technology of Sittingbourne, Kent, which manufactures glazing beads for glass fire doors; these will hold the glass in place for 90 minutes at 1,000 deg C and they are sold by Cryotherm of Keighley, Yorkshire.

Under the terms of the license, CDM is closely involved in designing, manufacturing and marketing the products. The developer must pay for marketing specialists to identify suitable products to manufacture. And CDM controls the price at which the products are sold.

Caroline Crompton says this system has protected CDM against further debts, after a bad start. The Cromptons were let down by some of the large companies that had initially showed interest and they built up a substantial bank overdraft. Now, she says, "CDM is not set up to pay money out, only to receive it."

Peter Jackman, who has carried out independent tests on the Ceepree materials, believes they represent a genuinely novel approach. "They're so flexible in their use, and they have an aesthetic attraction," he says. "These materials are very good in fire and they can be used to introduce good designs. Most people have got used to fire protection involving ugly slab-like materials."

Geoffrey Crompton, whose background is in industrial design, can see no end to the possible applications. Ceepree is suitable for all forms of transport and every type of building. It can be moulded to make hard furniture.

Crompton even has a long-term plan to adapt the system for use in soft furnishings. When burning, these emit toxic fumes and smoke which are the largest single cause of fire deaths.

WORTH WATCHING

Edited by Geoffrey Charlish

AT & T amplifies on better phone lines

ALTHOUGH OPTICAL fibres are now widely used in place of copper cables to transmit phone calls and data, they are still "hybrid" in the sense that when amplification is needed somewhere down the line, the tiny flashes of light have to be turned back into the electrical signals and amplified by conventional electronic amplifiers. Then, they have to be restored to their optical form for onward transmission.

A team under physicist Anders Olsson at AT&T Bell Laboratories in the US has recently demonstrated an experimental optical transmission line containing four direct optical amplifiers, obviating any optical to electrical conversion.

The amplifying devices are lasers, based on indium phosphide, modified to accept incoming light pulses and send them out again at about 100 times the intensity. Fibre distances of 372km (230 miles) have been achieved before a repeater (re-generative amplifier in which the pulses are completely re-shaped and re-constituted electronically) has to be inserted.

Konica develops faster X-rays

KONICA, THE Japanese photographic products company, has developed an X-ray film process that can develop exposed films in 45 seconds. Konica claims this is about half the time required by the fastest high-speed processors currently available.

Faster X-ray techniques are particularly important in hospitals, where pictures are often called for during surgical operations and in emergency cases.

Konica's system, which will include film, chemicals and processors, will be available in Japan early this year, and in the UK in the second half of 1988.

BT takes control of desk-top pow wows

BRITISH TELECOM'S Rendezvous Products Division is offering a software controlled desk-top telephone conference unit which allows a chairman to control a meeting of many different participants across five telephone lines.

The system can operate on two channels if necessary, so that two telephone meetings can take place at the same time. The chairman can switch selected speakers in and out of the two conferences at will.

L & G opts for Philips Megadoc

LEGAL AND GENERAL Assurance Society is the first UK insurance company to install the Philips Megadoc optical image storage system. A number of continental European insurance companies already use Megadoc, which is able to hold 50,000 A4-sized document replicas in digital form on a single optical disc the size of a long-playing record.

Optical recording systems are finding favour where companies need to refer to original document facsimiles quickly. Instead of storing the original paper, new documents are scanned and the resulting digital signals are recorded on disc.

Fax versatility for IBM PCs

ANY TEXT or graphical material that can be prepared on an IBM model XT or AT personal computer (or can be scanned into it from existing paper documents), can be sent over the phone network as a facsimile using a £750 add-on printed board and software package from Softech Professional Systems of Tonbridge in the UK.

Known as PC-FAX, the system allows users to send text messages in telex code if desired.

The information can be sent to or received from any group 3 facsimile machine, or from another similarly equipped IBM or compatible PC. Reception is possible while the PC is being used for other purposes (the information is stored and the user alerted to its arrival by a screen message). The company claims the quality of the transmitted images is 10 times better than fax-to-fax communications.

PC-FAX has several useful features. For example, it can take a screen-full of drawings from any computer-aided design system in use on the PC and send it to any make of microcomputer. It can also be used with word processing and desktop publishing software for editing and lay-out work.

Three-way advance into tailor-made chips

IN 1986, General Electric of the US, Siemens of Germany and Toshiba of Japan agreed jointly to develop an international standard for ASICS (application-specific integrated circuits) over a five year period.

The three companies are now in a position to make customers' designs, using GE's Advanced library of integrated circuit cells. These are electronic circuit elements which are laid down on the chips to produce circuits for particular applications. They provide exclusivity to the electronic system companies using them and yield better results than systems in which the engineer tries to cobble together a number of standard off-the-shelf chips.

ASICS are assuming increasing importance in the electronics industry and the three-company grouping is set to become a powerful force as production gets underway.

CONTACTS: AT&T Bell Labs: US (201) 564 4342. Konica: London office, 761 8121. British Telecom Rendezvous: UK, 0372 377477. Philips: Holland, 55 433267 or 0206 575115 in the UK. Softech: UK, 0732 362688. GE-RCA: UK office, 0276 685911.

Finns plumb the depths of exploration

BY OLLI VIRTANEN IN HELSINKI

RAUMA-REPOLA, the Finnish shipbuilding group, has constructed two deep sea exploration vehicles which can operate independently at depths greater than those achieved by similar vessels.

The two submarines, delivered recently to the Soviet Academy of Sciences for a total price of about FM 200m ($50m), can operate at a depth of 6 kilometres. They are 7.5 metres long and weigh 18.5 tonnes.

According to Rauma-Repola there are only two other such vessels in the world, "Nautile" of France and the American "Sea Cliff". But both of these, claim the Finns, have more modest performance than the vehicles designed and built by Rauma-Repola. The Finnish machines go deeper and have twice the electric capacity and speed of their French and American rivals. A Japanese company is currently building a similar vehicle which is due to be delivered in 1989.

One of the most challenging tasks in creating the Finnish submarines was that the Rauma-Repola metallurgists faced in developing a new high-strength cast steel which was used in the three-man vessel's construction.

Although the vehicles were designed by the Finns, the Soviet Academy of Sciences was involved in "intimate co-operation" during development. The vehicles incorporate navigation equipment, an underwater telephone, obstacle monitoring systems, elaborate sampling devices and a range of measuring systems.

The maximum depth of 6,000 metres gives the vehicles access to 98 per cent of the world's seabeds.

The Soviet end user, the Institute of Oceanology of the Academy of Sciences, has already decided to invite foreign scientists to take part in research projects. Finnish scientists are expected to be among the first foreigners involved in such programmes.

ARTS

Music in 1987/Andrew Clements

The year of the symphony rather than the soloist


Current hot properties: conductors Simon Rattle and Christoph von Dohnanyi

With the natural perversity of someone who always sees the grass as greener in someone else's patch, the concert year for this observer looks considerably less absorbing in retrospect than the opera, which Max Loppert has already surveyed with David Murray to come. Some of the opera highlights, however, demand inclusion and will be discussed later; for the moment 1987 can be considered as a year framed by exceptional performances of Mahler's Ninth Symphony, each utterly individual yet each as valid as the other. Claudio Abbado's at the beginning of the year with the London Symphony Orchestra was the more controversial, a reading that sought to connect the work with the 20th-century music that succeeded it rather than attempting to refer it back to the legacy of the romantic symphony. Its raw edges and deliberate eschewal of conventional blend disturbed some listeners, and no one I think could pretend that it represents the final form of Abbado's view of the work. But as an example of a highly gifted Mahler conductor coming to terms at last with the greatest symphony in the canon it was an immensely absorbing experience.

By contrast, Bernard Haitink's account with the Concertgebouw Orchestra, broadcast from Amsterdam by BBC radio and television on Christmas Day belonged securely to the mainstream of Mahler interpretation. The occasion was his last Christmas Day concert as principal conductor of the Concertgebouw, and it had an unmistakable valedictory feeling. But it was also a magnificently comprehensive view of the work, wonderfully played – the Concertgebouw, when the mood takes it, is unsurpassed by any orchestra in the world – delivered by one of the world's few authentically great conductors.

Abbado left his post as the LSO's principal conductor in November, an occasion marked by a thrilling and caustic account of Prokofiev's *Alexander Nevsky*. His departure, coupled with Klaus Tennstedt's sad resignation because of illness from the London Philharmonic, left London's four symphony orchestras rather threadbare of contracted conducting talent. The diarchy at the Royal Philharmonic, however, where Vladimir Ashkenazy and Andre Previn now have shared responsibility, appears to be working well: the RPO is probably the most consistently reliable of any of the capital's orchestras at present. The accounts of Vaughan Williams's Tallis Fantasia and Fifth Symphony which Previn conducted demonstrated both the orchestra's huge advances, and Previn's relaxed and confident command of that repertory.

The conductor most sought after to fill one of the London vacancies is rumoured to be Christoph von Dohnanyi, currently happily placed with the Cleveland Orchestra. His most recent London appearance was with the BBC Symphony in an uncharacteristic programme of Ives, Glass (a new piece to Europe, *The Light*) and Bartok, which demonstrated in its sovereign control of texture and positive knack of characterisation just why Dohnanyi has become such a hot property. Meanwhile the hottest home-bred property continues to be Simon Rattle, whose partnership with the City of Birmingham Symphony Orchestra gains ever more acclamation. Their performance of Beethoven's Ninth Symphony in Bury St Edmunds at the end of the 1987 Aldeburgh Festival was quite easily one of the year's supreme highlights for its sense of tingling theatricality and musical coherence. Away from the CBSO Rattle's engagements with the London Sinfonietta included perhaps the most lucid performance of Berg's Chamber Concerto I've had the fortune to hear, and an equally eloquent one of Bartok's Music for String, Percussion and Celesta.

To remind us of the standard of conducting we almost took for granted in London a decade ago, Pierre Boulez took charge of the National Youth Orchestra's 40th anniversary celebration at the Proms. His view of Schoenberg's *Gurrelieder* has undeniably broadened over the years; he no longer mistrusts its open-handed lyricism and manages to allow it freer rein without any diminution in textural finesse. It proved to be the one unqualified "occasion" of the entire Proms season. There was also a predictably excellent visit for two concerts from the Oslo Philharmonic with Mariss Yansons, a disappointing showing from the Vienna Philharmonic under Bernstein and Abbado, and an evening of extrovert brilliance in 20th-century showpieces from Rattle and the CBSO. Otherwise the level of incandescence was generally low.

There were not too many incandescent solo recitals either. Three memorable piano occasions came my way. Michelangeli's programme of Chopin and Ravel began with mannered precision but progressed to the *Valse nobles et sentimentales* and *Gaspard de la nuit* with such sureness of intention and effect as to beggar all criticism. Peter Serkin's Wigmore Hall appearance took the prize for the most intelligent and enterprising programme, prefacing a massively authoritative command of Beethoven's Diabelli Variations with a sequence of contemporary works that included Messiaen's *Cantéyodjayâ*, made to seem at last like a 20th-century classic rather than a schematic exploration of technique. The London debut of the first prize winner at the Leeds Piano Competition, Vladimir Ovchinikov, offered evidence of admirably fluent fingers that are magnificently attuned to the high-romantic repertoire, but as yet a sensibility unwilling to test itself beyond that carefully tended preserve of Liszt and Rakhmaninov. But none of these artists matched the total identification of the tenor Peter Schreier's recital of Schubert's settings of Goethe, given as part of the City of London Festival, and which must surely come to be regarded as one of the great lieder recitals of recent years, delivered with flawless techniquel elegance and a consummate attention to verbal nuance.

New music seem determined only to make up in quantity what it lacked in every other respect. It was an exceptional year for operas, but otherwise only two new works stick fixedly in the memory. One was Elliott Carter's Fourth Quartet, which was given its European premiere by the Arditti Quartet during the Almeida Festival. While Carter's neoclassical grounding seems to become ever more prominent in recent works, his music has lost none of its emotional scope and intellectual rigour. There appear to be elements of stylistic recapitulation in the Fourth Quartet, reminiscences of the First Quartet, written 35 years earlier, which cannot have been fortuitous. But it is much more than a retrospective work; it opens up new expressive areas that Carter promises to explore as he celebrates his 80th birthday later this year.

The crop of Proms commissions was largely disappointing, but Nicholas Maw's *Odyssey*, long awaited, carried an immense fascination. In the event the premiere by the BBC Symphony Orchestra under Mark Elder gave only three of the work's five sections, because of the problems of rehearsing such a vast score, but that still amounted to 75 minutes of music. Whether the whole gigantic structure will fit together convincingly remains to heard at the complete performance promised by the BBC for 1989, but there was enough in the music played to suggest that the composer's insistence on such lavish dimensions should be taken on trust for the time being.

When a year can easily pass without a single new opera proving its worth, the appearance of three in one year was exceptional. To be accurate, Wolfgang Rihm's *Jakob Lenz* was not new, but the staging at the Almeida Festival was the British premiere. It proved an admirably concise and economical single-acter, tightly argued and authentically theatrical, making the best possible case for exploring yet more of Rihm's already vast output. Judith Weir's *A Night at the Chinese Opera*, presented first by Kent Opera at the Cheltenham Festival, is that rare thing, a genuinely witty contemporary opera, whose satire is never sententious or heavy handed. To be totally effective, one suspects, it relies on a staging as well drilled as the one provided by Richard Jones for the premiere, but there is no doubting the strength or memorability of much of the vocal and orchestral writing.

Nigel Osborne's *The Electrification of the Soviet Union* was less well received on this page. I caught it during Glyndebourne Touring Opera's visit to Oxford, by which time, it seems, some of the more questionable aspects of Peter Sellars staging had been mitigated. It emerged, in my experience at least, as a fascinating, if not comprehensively successful work, founded upon a rich and eloquent libretto by Craig Raine, and furnished with some of Osborne's finest music of recent years. Based on Pasternak's slight novella The Last Summer, its complex interweaving of the historical and the personal which creates most of the work's problems of continuity are precisely the stuff of which Pasternak's finest poetry and prose is made; to have diluted that intimate alloy would have been a declaration of creative bankruptcy on the part of the composer and librettist. Their solutions seem to me in general highly intelligent and, potentially, genuinely operatic ones.

In the operatic mainstream, I reviewed here only one major new production, Scottish Opera's disappointing *Lulu*, saved from outright disaster by John Mauceri's thoroughly idiomatic conducting. But the coming of the second part of Tim Albery's staging of *The Trojans* to Opera North was an evening of immense excitement, in which Sally Burgess's Dido was the focus of attention, and I must mention the two outstanding opera productions that I encountered during the year, both at the Coliseum, and both directed by David Pountney. *Lady Macbeth of Mtsensk* at last established Shostakovich's flawed but fascinatingly flawed masterpiece in the repertory of a British opera company, while *Hansel and Gretel* at the year's end provided the single most abiding image – Pountney's vision of the end of the second act, his magically dusted gallery of 1950s stereotypes, is a genuinely wondrous moment, a startlingly original and childlike moment, the kind of thing for which we look constantly to opera, and so often in vain.

The Snow Queen/Sadler's Wells

Clement Crisp

Before the curtain rose on the season's opening performance by Sadler's Wells own Royal Ballet on Tuesday night, Stephen Remington, director of the theatre, announced an appeal for funds to expand the stage area. At a projected cost of £1m, the proscenium arch and the stage will be widened and this new dance area will, it is hoped, be ready by the autumn of 1989.

It is a cause I would urge to the attention of anyone charitably minded about the potential of this theatre as a dance house. And it is a cause which must surely be dear to the hearts of the artists of SWRB. The company labours manfully within the current constraints of the stage, but it is clear that choreography has its edges shaved, dance cannot expand to its full extent, design can look cramped within the present confines.

The dancers worked eagerly last night to show off David Bintley's *The Snow Queen*, but it is a work I find seriously flawed, and even some editing of the opening scene has not served to inspire my confidence in it as a fable or as a piece of dance-theatre.

The trouble has to do with a lack of dramatic momentum. Bintley's tale moves by jerks over long hiatuses of divertissement, and engaging though the company's performances may be, there were no characterisations to sustain continued interest. Fascinating and haunting things exist in the production – the sense of menace prowling around the child Kay in the first act is very well done – but it remains a poetic one-act ballet striving to escape from the heavy padding of a full-evening staging.

Leanne Benjamin and Roland Price were seen once again as *Gerda and Kay*, with Samira Saidi as The Snow Queen. I admired Master James Grundy as the child Kay, assured and touching in facing up to the mysteries of the fair scene, and salute the whole-hearted way the Wells artists attack their roles. If *The Snow Queen* holds no audience, it is because of their unfailing dedication to the task in hand.

Martin Lewis Alastair Muir

American Eagle/Old Red Lion

Martin Hoyle

This comic-strip style spoof was a great success on the Edinburgh festival fringe last summer. Its student creators are now graduates (from Bretton Hall, a college with a high reputation for theatrical activity) and have brought the show to the theatre pub in St John Street, a stroll away from the Angel.

The show's chief virtue is its unremitting energy. The five young performers throw themselves into the highly drilled grotesque style of parody and caricature with fervour and *discipline. With an interval the* production lasts 90 minutes; I suspect the impact might be cumulatively greater (though exhausting for the company) if the piece was played without a break.

The comic-book hero of the title was conceived as a Nazi-buster in 1941, left frozen in Siberia at the end of the war and revived, perfectly preserved, to fight pinkoes and commies in the New York of the Sixties – "the pill, promiscuity and protest." After an episode of "villainy from Vietnam" he stumbles on the Watergate break-in and moral imperatives become evasive subjunctives. We subsequently see him fighting crime like a vigilante, then foiling a Libyan high-jack. The climax comes at Auschwitz where his old wartime enemy reappears to point a moral of extreme dodginess: that the Nazis of the Holocaust were no different from the America of Vietnam, napalm and Agent Orange. An epilogue in 1995 postulates an American invasion of Nicaragua.

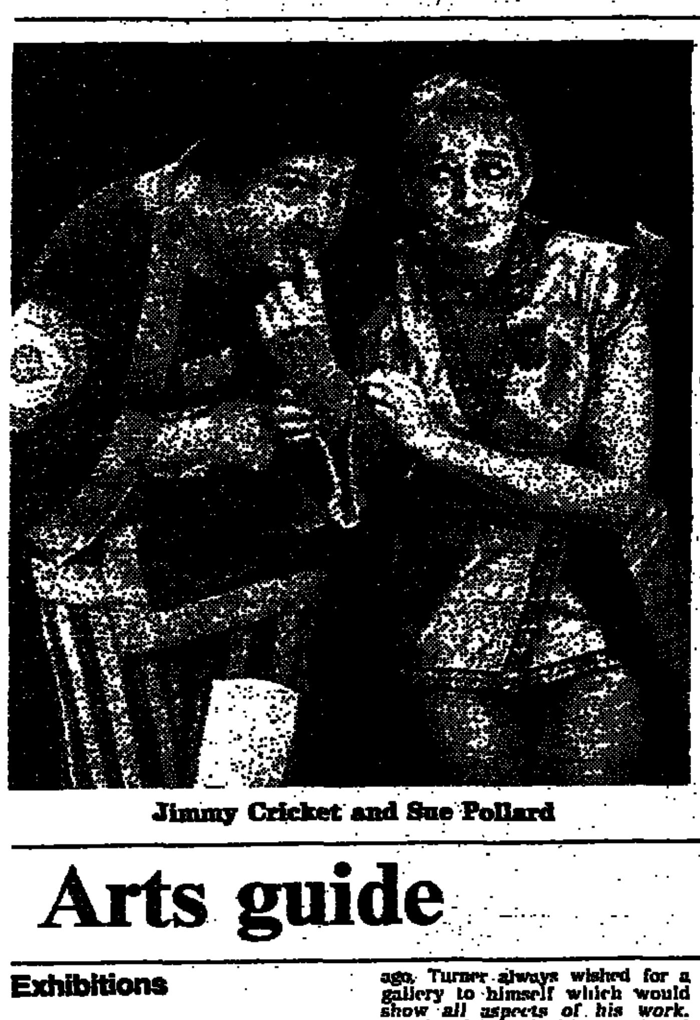
Hard-hitting savage satire is called for, but the play, written and devised by the company, settles for wham-bam grimacing ingenuity as each actor takes several parts, except for Martin Lewis, blond, pearly-toothed and masked as the red-lighted righter of wrongs. Every so often we are reminded that this fictional character is controlled by the bullying publishing boss and reflects national needs (in impossible cliff-hangers a voice orders us to turn the page; a blackout follows, then a safe resolution; evidently turning over two pages at once is the comic-book equivalent of "with one bound he was free").

For all the pace, thrust and attack, the moral leaves oneuncertain. Perhaps every society does create its gods, legends and heroes, but to equate them morally with one another is to put Senator McCarthy on a par with Hitler, or so the show implies. For all the harm he did, Senator Joe was never remotely in the business of the genocide of millions. Politically the play's style might be best described as full-frontal simplistic, as much so as its beefy hero, perhaps.

John Williams's set plasters the walls and podia with pages from the sort of comic-book that the management provided us with a sample of. Debra Richards's lighting follows the picaresque intricacies of our hero's winding road, paved as it is with *good intentions, to its inevitable* destination. Excellent support from Sarah Hasnip as various manifestations of love interest including a female CIA boss, Chris Amos, a bouncy comedian, Ian Williams as Scarlet Claw, the international villain with a way*ward limb commanded by* remote control, and David Young, a bland dictator from the silent majority.

Aladdin/Alhambra, Bradford

Michael Coveney



Jimmy Cricket and Sue Pollard

Several notable British theatres have been refurbished and renovated in recent years: the Old Vic, the Royals in Nottingham and (this very month) Newcastle. But the most dramatic salvage job of all, surely, has been the rescue of the old Bradford Alhambra, magnificently restored to the nation after a fierce local campaign and a crucial vote of confidence and funds from the EEC.

The new Alhambra has been open for just over one year. My first visit, over the holiday period, coincided with a pretty good *Aladdin* which continues there until the end of February. *Hi-De-Hi* TV stars Su Pollard and Paul Shane show off, respectively, musical comedy and vaudeville backgrounds to advantage. Jimmy Cricket is a delightfully sympathetic Wishee Washee, and there is fine support from Joe Black, as a classically male-modulated Widow Twankey, and from the catastrophically weedy Eli Woods (formerly a long-stuttering stooge to Jimmy James) as a Chinese policeman.

But the main attraction is the theatre itself, fit regional companion for the Grand in Leeds and the even more lately restored house at Wakefield. Things cultural are looking up in West Yorkshire, and how. The Bradford stage has been deepened, and backstage and storage facilities improved to such an extent that our leading national companies can luxuriate in a new port of call. The National Theatre arrives in March with the new *Cat on a Hot Tin Roof*, followed in April by Makarova's *Swan Lake* for the London Festival Ballet and, in June, the first visit of Opera North.

The theatre's famous three domes have been preserved, the larger forward rotunda magically transformed into a glazed, transparent staircase. The main entrance is now situated in a dramatic adjacent development of stairways, island bars and rest areas, all nestling snugly, and with architectural justification, against the old building. This seamless annexe is fitted out with simple, attractive lighting, polished brass stair rails, blue carpets and a predominant deep red finish. It owes as much to High Tech as to the latest Bauhaus variations.

Inside, the auditorium, with seats for 1500 people, has been thoroughly refurbished, and the high level paintings of classical scenes, restored. There is new white and blue paintwork on tier frontings and proscenium boxes, but that over-familiar, rather depressing, warm theatre red is the dominant colour. I did find myself craving some cooler greys, pastel greens or slate blues.

Still, it is all very exciting and uplifting, another long feather, I'd say, in the cap of the architectural partnership of Renton Howard Wood Levin. The pride and delight of the Bradfordian hordes were plain to see as panto patrons wandered, many of them for the first time, around their very own glistening cream and glass pleasure dome.

Hugh Durrant's Palladium designs are an impossible act to follow this year, but the Alhambra manages a fair one-dimensional show of painted sampans, caves, pyramids, and mud huts on the Street of a Thousand Chopsticks.

Paul Shane as Inspector Wu proves a dab hand in the crockery-smashing routine, but makes the serious error of rendering Charlie Penrose's "Laughing Policeman" dismally unfunny and vaguely obscene amid a troupe of skimpily clad little girls wielding large black truncheons.

Su Pollard overcomes a dodgy sound system to deliver, hot and strong, various showbiz non-standards about winning through and striking rich. Her bespectacled, strictly sexless Aladdin is best, though, when shivering with fear and dreading the worst. Here is no melting soppiness. Miss Pollard is a zestily aggressive musical comedienne with a range of talent only partly tapped by her increasingly tiresome, goofily gormless Peggy in the Maplins holiday camp.

Dick Whittington/Plymouth

B.A. Young

This is the first classic late-20th-century-type pantomime I have seen for several years. It has a script by John Morley with some rhyming couplets, it has a girl to play the hero and a man to play the Dame. What's more, it is packed with stars, and anything I may have said about the unimportance of acting in pantomime is only partly apt. Bernard Cribbins as Alderman Fitzwarren, the Lord Mayor, and Andrew Sachs as King Rat, bring their familiar talents to less familiar parts. As Dick, Anita Harris is a splendid Principal Boy, who sings and plays charmingly but does not try to be a 14th-century yuppie peasant. Chris Harris is outstandingly funny as the cook to the Fitzwarrens. The whole thing, in fact, is played exactly by the rules, even to the inserted use of the television commercials.

There are many invitations to *shout, there are sweets thrown* to the audience, there is a song-sheet for which, after we have all had our turn, seven small children come on stage to help. (That is, there were seven on the night of my visit. The lines said six, but we had a n extra volunteer.)

I thought the script very funny, sometimes in an adult way for the benefit of parents and critics. The basic story of the boy from (in this instance) Devonshire who goes to London to make his fortune is given the usual bonus of additions – not only the voyage to Morocco, *which is accidentally placed in* the Southern Hemisphere, but Messrs Cribbins and Harris in a haunted bedroom, some mock-acrobatics with dialogue unexpectedly in French, a beautiful ballet called up by the Fairy of the Bells (Amanda Wenban) for the ultimate wedding. Tommy Shaw is the imaginative choreographer. Dick and King Rat's final encounter is a duel fought allegedly by Queensberry Rules.

The songs are romantic numbers of the pre-pop age with *hints of Sullivan, so well* sung that I was able to hear every word even of the choruses, a credit to Stuart Calvert the Musical Director. Anita Harris has two duets with Gail Mortley as Alice Fitzwarren, and Miss Mortley in her different genre was in the same league, I thought. I have not seen Chris Harris as a Dame before, but he is an adept pantomimist, and at cooking a sausage-pie, sleeping in a haunted room or making improbable leaps as an acrobat, he is splendid.

The designs are by Martin Johns, who once, is a different vein, designed *Romans in Britain* for the National, and the able director is Roger Redfarn.

Arts guide

January 1-7

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercol*ours and drawings*, has been a source of controversy and discussion ever since it came into the nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would *show all aspects of his work.* Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal walls Stirling has decreed for the principal galleries is *a far cry from the rich plum he is* known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, *and with the three reserve galleries* upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Centre Georges Pompidou. Lucien Freud chose the 82 paintings for his *first retrospective outside England.* Apart from a portrait of Francis Bacon and a series of portraits of his first wife, the exhibition is dominated by his figurative nude portraits of the last 20 years. Closed Tue. Ends Jan 24. (427 71233).

Galerie Odermatt-Cazeau. Maximilien Luce. Luminous and well-structured, he adds realistic images from a working class universe to many of the impressionist's themes of the Seine, the Thames and Saint-Tropez. 85 Bis, Rue du Faubourg Saint Honore (4266 9258). Ends Jan 30.

Musee des Arts Decoratifs. Over a thousand wooden toys from as far afield as Greenland, Mexico and Russia carved by *18th century* woodcutters or modern designers recreate the enchanted childhood world of villages and dolls, horses and trains. 107 Rue de Rivoli. (42603214). Ends Feb 14.

Grand Palais. Treasures of the Celtic Princes. Prestigious archeological finds from what is now France, Germany and Austria bear witness to a luxury-loving civilisation. Bronze armour, cauldrons, the crater from Vix, were all imported from Greece or Etruria. (42560924). Ends Feb 15.

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst. Sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 130 sculptures, some larger than life, and about 60 paintings of sculptures by 51 artists. It offers a view *of graphic* works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Ends Jan 3.

Mannheim, Stadtische Kunsthalle. Sculpture from East Germany (see above) from Jan 23 to Feb 21.

Munich, Kunsthalle der Hypo-Kulturstiftung. Rene Magritte 1898-1967. This is the first extensive retrospective of the Belgium surrealist shown in Germany. 140 works from museums and private collections in Europe and the US will seek to *refute* criticism that he was not concerned about what he was drawing. Theatinerstr. 15. Ends Feb 14.

Stuttgart, Galerie der Stadt. Max Ackermann (1887-1975). The 100th anniversary of his birth commemorated by a comprehensive retrospective with 80 pictures from the *main periods of his working life.* Schossplatz 2. Ends Feb 21.

ITALY

Rome. Galleria L'Isola. Ten powerful and faintly menacing bronzes by William Tucker. They could be horses heads, and Tucker says in *the catalogue that the memory of* the horses of the Elgin marbles was part of their beginning and that the public may not go beyond a literal reading of the works. He goes on to say: "If these are horses' heads, they are also human knees or elbows...or perhaps no nameable image at all, something unthinkable and monstrous". Via Gregoriana 5. Ends Jan 30.

Rome, Villa Medici (French Academy). Picasso – the last years (1968-1973). The French Academy, proprietorial as ever towards the greatest of modern artists, has mounted a riveting exhibition of etchings, drawings and oils mostly from the last five years of Picasso's life. Having practically never been ill, Picasso had to undergo a serious operation towards the end of 1965 (aged 84). During the following year of convalescence, it seems that he brooded, not only about his health but about having lost his verve and creativity. He need not have worried. The exhibition is so full of energy, invention and surprise as to be exhausting. The starting point of 1968 is chosen as the year in which Picasso began the first of his last two major series of engravings, known as the 347 Gravures. Many of these are on show and alongside these and many of the drawings have been thoughtfully placed photographic reproductions of works by Ingres, Poussin, Rembrandt, Goya and Manet which must have been at the back of his mind as he worked. Ends Jan 12.

Milan, Palazzo Reale. Eighteenth Century Italian landscapes from *private collections organised by the* equivalent of the British National Trust, the Fondo Ambiente Italiano. The exhibition includes 70 delightful landscape paintings, divided into three major groups or schools – the Roman (Van Wittel and Hendrik-Frans Van Lint), the Venetian (Canaletto, Bellotto, Guardi) and the Neapolitan (*Joli*, Bonavia, Tommaso Ruiz and Pietro Antoniani. Ends Jan 17.

NETHERLANDS

Amsterdam, Van Gogh Museum. The complete graphic work of Toulouse-Lautrec. *Ends Jan 17.*

Amsterdam Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1880 to 1914. Ends Jan 17.

Leiden, Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

WASHINGTON

National Gallery. A centenary retro*spective of* Georgia O'Keeffe includes 115 oil paintings and drawings, among them rarely seen examples from her familiar New Mexico landscapes, exotic flowers and still lifes. Ends Feb 21.

TOKYO

Isetan Museum, at Isetan Department store, Shinjuku. Bodhidarma Exhibition. Images of the founder of Zen Buddhism, known as Daruma in Japan, who is said to have lost the use of his arms and legs after nine years spent meditating in a cave. Bright red roly-poly Daruma dolls are sold throughout Japan at New Year. Paint in one of his eyes when you buy him and make a wish. Paint in the other eye when your wish is granted (232 1111). Ends Jan 10.

Seibu B Forum, Shibuya. Toshio Ashimoto, a promising artist, died two years ago at the age of 38. Greatly influenced by the fresco *artists of the Italian Renaissance*, notably Piero della Francesca, he created a distinctive world featuring women in serene settings. On Jan 9, a concert of baroque music will be given in Ashimoto's memory. (462 0111) Ends Jan 19.

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Egypt's task made harder

MR DAVID MELLOR, Minister of State at the Foreign Office, is an ambitious politician who enjoys the limelight. He may have got slightly carried away on Monday when he found himself berating an Israeli officer in the Gaza Strip who did not appear to understand what he was saying. But his decision to say loud and clear, and on the spot, what he felt about the Israeli occupation of the West Bank and Gaza, must have been taken before he left London and in consultation with his political superiors.

Policy-makers in London, as in other Western capitals, are well aware of the strong feelings aroused in Arab countries by the "uprising" in the Israeli-occupied territories and by Israel's heavy-handed use of force to contain it. They know that these feelings are exploited by Islamic extremist groups more or less sympathetic to Iran and that the more Israel is associated with the West in Arab minds the more difficult it will be for Arab governments to maintain a friendly attitude to the West and stand up to Iranian pressure.

Political shell

The problem is especially acute for President Hosni Mubarak of Egypt, who this weekend embarks on his most ambitious series of foreign trips since he came to power in 1981. On Saturday he travels to the Gulf to set the seal on the recent rapprochement between Cairo and the Arab states of the region. Before the month is out, he will also have visited four western European capitals and Washington.

In short, the most populous Arab state is cautiously emerging from the political shell in which it has been confined in recent years by its peace treaty with Israel and by its chronic economic difficulties. But the relationship with Israel, thrown into sharp relief by the disturbances in the West Bank and Gaza – and in particular the use of live ammunition to quell them, with the loss of at least 25 Palestinian lives so far – remains one of the Egyptian government's most serious political handicaps.

Nobody is suggesting that the peace treaty with Israel is in jeopardy as a result of this friction. The agreement has survived worse upsets than this, notably the 1982 Israeli invasion of Lebanon. But the domestic pressures on Mr Mubarak as a result of the unrest should not be under-estimated.

Events which tarnish the Government's peace with Israel are fuel for Egypt's growing militant Islamic movement. Twice in the last week Egyptian riot police have had to suppress violent demonstrations by militant students and Islamic fundamentalists in Cairo. The more of this that Mr Mubarak has to contend with, the more he is going to have to distance himself protectively from Israel.

Internal equilibrium

Once again, the message to the Israeli Government should need no elucidation. The continued occupation of the territories is as dangerous for Israel's hard-won and fragile relationship with Egypt as it is for her internal equilibrium. And for Mr Shamir to keep summoning the Arab states to negotiation, when he himself refuses both the negotiating forum they propose and the principle of withdrawal from the territories which is the only imaginable basis for a negotiated solution, is at best self-delusion, at worst hypocrisy.

The same goes, in a way, for Egypt's relations with the US. Mr Mubarak appreciates the White House's recent remonstrations with Israel about the unrest and US support for a UN Security Council resolution criticising Israel on Tuesday night. But he will no doubt remind President Reagan later this month that such gestures alone are not enough. The US commitment to setting up an international peace conference has so far been half-hearted at best and is in danger of remaining so in a presidential election year.

When Mr Mubarak stops off in Europe, the governments of France, Britain, Italy and West Germany should assure him emphatically of their own concern about the issue. They should also press the Reagan Administration to become more actively engaged.

Union tactics in broadcasting

THE industrial dispute at TV-am, British independent television's breakfast-time station, enters its 46th day today with little sign of compromise between the company and the 229 technicians it has locked out for refusing to agree changes in working practices.

The lock-out, and the rash of accusations it has brought against the Association of Cinematograph, Television and Allied Technicians, are the public face of a wider industrial relations crisis which has long been predicted by ITV's senior managers. Yet it has still appeared to catch the union unawares.

The context of the dispute is that the 16 ITV companies have been seeking with increasing urgency to reduce staff costs against the background of growing competition both within the domestic industry and internationally through cable and satellite stations.

Comparison has been made with the industrial relations history of British newspapers. The printing unions were pressed for some years to relax restrictive practices before Mr Rupert Murdoch finally broke away and established a now largely non-union home for his publications at Wapping, east London.

Basic service

There are some similarities: ITV, like newspapers, has enjoyed many years of high profitability before undergoing a squeeze on advertising revenue; members of the key industrial union have grown accustomed to secure jobs and relatively high earnings; TV-am has shown that a television company can these days maintain output without technicians.

Yet there is a difference between keeping up a basic service and producing a complex mix of programmes. The ITV companies need fewer ACTT members in proportion to output than they employ at the moment, but the technician's role is not totally dispensable in the same way as that of some old newspaper skills.

Indeed, industrial relations managers within ITV admit that it might be hard to do without the ACTT. A union membership card is becoming increasingly valuable as a means of judging the professional competence of a technician for the growing number of freelance producers who are being commissioned to make programmes for both ITV and BBC.

For these reasons, many of the ITV companies are pressing for local deals with the ACTT – and other unions – that will enable them to reduce costs without being caught up in the sort of confrontation seen at TV-am and Tyne Tees, ITV's north-east region franchise holder.

Local deals

The companies are frightened that their bids to retain their franchises in 1992 will fail if their staff costs are not reduced. They fear too that their production facilities will remain too expensive for independent producers to use, and they will be priced out of the growing global market for programmes.

Some useful local deals have been struck at companies such as Tyne Tees, Anglia, HTV, Yorkshire and Thames, and other companies are encouraged by the response of their local union branches to their requests for new practices. But there are few kind words for the national leadership of the ACTT.

Reservations about the direction of the union are not confined to outsiders. An ACTT report drawn up a year ago by Mr Reg Race, the former Labour MP, concluded that the union had at most two years to reform its management and industrial stategy if it was to survive as an effective force.

As in other parts of British industry, the question is not whether patterns of employment are going to change. They are certain to do so. The question is whether a national union can respond in a way which preserves some influence for itself over the impact of the changes on its members.

Kenneth Gooding on the implications of the rise in copper prices

A slightly tarnished outlook

AFTER several years of rock-bottom prices, copper more than doubled in value in 1987, to record highs on the London Metal Exchange. The surge startled both producers and consumers of the commodity and left them nervous about what may follow.

Although producers warmly welcomed the windfall profits, they are worried about the longer-term implications. High prices and insecurity of supply provide fresh incentives for those seeking substitutes for the metal or have them immediately available.

Big copper consumers are not particularly concerned about the current high. They are sure that, after rising a little further in the early part of this year, the price will ease back.

What makes them exceptionally edgy, however, are the severe stock shortages which triggered the price explosion.

"Some people are on the point of ripping out their electrical wiring to get the last tonne of copper they need to complete an order," says one trader, who insists he is only slightly exaggerating.

World-wide stocks of copper have certainly dropped to a dangerously low level. One informed estimate suggests they were down to only 570,000 tonnes by the end of last year, representing only four-and-a-half weeks consumption.

The US commodity watchdog organisation, the Commodity Futures Trading Commission, is so worried about the situation that it is examining "intensively" whether there is enough physical copper around for everyone wanting to take delivery of futures contacts. It also wants to make sure that no one is attempting to take advantage of the supply pressures to corner the market.

Already in the US there has been one major unplanned closure of a semi-fabrication plant – the Phelps Dodge continuous cast rod mill in Norwich, Connecticut – because it ran out of stock.

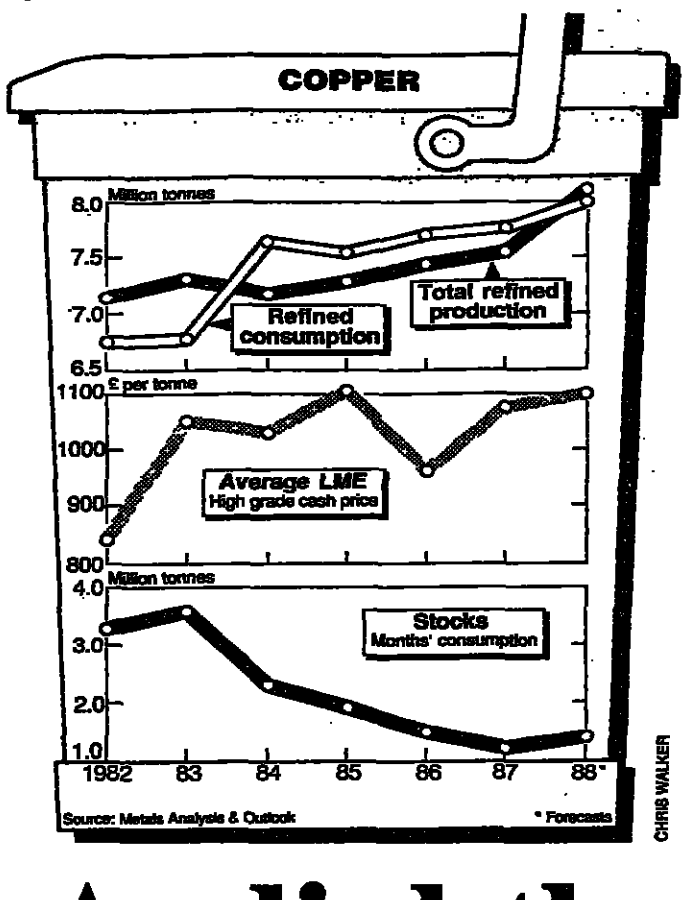
A series of problems forced Noranda, the big Canadian natural resources group, to tell customers in the US and Europe that they can have only about one quarter of the high-grade copper it contracted to supply in January and February this year.

The sudden and swift rise in the copper price took most producers and consumers by complete surprise and few interested observers found grounds for predicting anything but another flat year at the beginning of 1987.

But the price is very cyclical and it does not take much to change the market's sentiment. For example, high prices in the late 1970s encouraged some over-production of copper and in the three years beginning in 1981 output in the non-Socialist world totalled 24m tonnes while consumption was 23m tonnes.

That 4 per cent difference in supply and demand was enough to drive the copper price down 35 per cent, from about $1 a lb to 65 cents in 1984.

Four successive years of depressed prices forced widespread mine closures in Western Europe and, above all, in the US, where labour costs were high compared with other major producing countries such as Chile, Zambia and Zaire.



The ready availability of copper helped the major users in their drive for efficiency. "We have learned to live with very low inventories of our own in the past few years," says Mr Peter Sellars, general manager, purchasing, for BICC Cables. "Stocks are expensive to finance, whereas copper was in plentiful supply and the price has been low. Now we have been caught on the wrong foot."

Major consumers usually obtain their copper through contracts negotiated and signed directly with producers in October and November – a time known in the trade as the "mating season". Now users are becoming increasingly worried that if suppliers are unable to fulfil their contracts, the usual alternative of turning to the London Metal Exchange or Comex (the New York Commodity Exchange) would at best be expensive and at worst not produce sufficient quantities.

Why didn't either consumers or producers see the trouble ahead until it was too late? After all, copper consumption had outpaced production for four years in succession.

The answer, in part, seems to be that for some years copper consumption was underestimated while the supply of secondary refined copper (from scrap and so on) was overestimated.

When the miscalculations surfaced during the first quarter of 1987 the industry found out overnight that, instead of being run down to the tune of 400,000 tonnes since 1985, stocks had in fact been depleted by as much as 1.1m tonnes.

Copper is a versatile metal. Its attractive properties include high electrical and thermal conductivity, corrosion resistance, ductibility, malleability and strength. But there are very few end-uses for which viable substitutes are not available.

Any substantial supply problems will be bound to focus users' attention on substitutes for copper. That is often a one-way street, with no return once the substitution is made.

Most copper, about 60 per cent, is turned into wire for use in power cable, telecommunications, domestic and industrial wiring, magnets and automotive harnesses. Some observers suggest that optical fibres present a major threat to copper's position in the telecommunications market and superconductors to its cable business.

But these new products are extremely expensive and the raw materials for superconductors are not readily available. So for the foreseeable future the industry expects any inroads the new materials might make will be compensated for by the gradual industrialisation of the third-world.

The current high prices are bad news for the major consumers of copper. Western Europe is the biggest, using about 2.75m tonnes a year but producing only 350,000 tonnes. Japan imports virtually all the 1.25m tonnes it needs each year.

The US is also a net consumer. It uses about 2m tonnes of copper a year but produces about 1.1m.

However, the high copper price is providing a welcome breathing space for Zambia's battered economy as it struggles out of recession, according to government officials of that country, which produces about 500,000 tonnes a year.

And Chile, the world's largest producer – 1.1m tonnes a year – stands to earn an additional $300m in additional export revenue this year.

High prices have also boosted the earnings of the major US copper producing companies such as Phelps Dodge, Asarco, Magna Copper and Cyprus Minerals.

Until relatively recently it seemed the US was in danger of being priced out of the business. In 1964 it produced 23 per cent of the world's copper but its contribution is down to 13 per cent. The US once exported twice what it imported of refined copper. Now it imports five times what it exports.

But the US industry in well on the way to a substantial revival. Painful action to cut costs and improve productivity and the introduction of new techniques have all played their part.

A method of leaching copper from certain ores called SX-EW (for solvent extraction-electrowinning), often using sulphuric acid cheaply produced from the sulphur dioxide emitted from the company's own chimneys, is playing a major part in the US recovery.

It is helping Phelps Dodge, the largest US copper company, produce copper for about 50 cents a lb compared with 75 cents a few years ago. This has brought the group much closer to Chile which claims to be the lowest-cost producer at 42 cents a lb.

Analysts suggest that the copper price needs to be between 70 cents and 75 cents a lb to ensure sufficient capacity is working and covering its cash cost to meet demand.

However, the price is likely to touch $1.50 in the early part of this year before falling back in the second half when a surplus of production over supply – and possibly a recessionary slowdown in demand – should allow some stock rebuilding.

But the price is unlikely to drop to 60 cents again. The producers, particularly those in North America which are likely to provide the bulk of the extra output, learned their lesson about over-production the hard way in the past few years.

THURSDAY BOOK REVIEW

Job Creation in America

By David Birch

The Free Press: $22.95

IN THE 10 years to 1984, the US created 18m net new jobs, whereas the European Community actually lost 3m on balance. The US economy is not exactly a favourite role model at present, and the heat has been going out of the unemployment debate in recent months, at least in the UK. Yet the starkly contrasting trends in employment over the past decade or so still merit attention.

Job creation in America sheds fresh light on the US experience. By analysing the sectors and regions which have had the greatest success in putting people to work, it helps to isolate the conditions which are necessary for job creation – and it sends a number of clear messages to policy-makers.

The central theme is that small firms have played an overwhelmingly important role in America's success story. A breakdown of the figures by size of enterprise shows that about 88 per cent of all net new jobs created between 1981 and 1985 came from concerns employing less than 20 people. Middle-sized companies, with between 100 and 500 employees, suffered significant job losses, whereas the very largest businesses showed little net change.

In other words, smaller firms are more than capable of offsetting their higher failure rate by their ability to organise afresh and then grow.

A second important message is that the healthiest regional economies are also the most turbulent. Not only do they attract the highest levels of start-ups. They also tend to show the greatest numbers of business failures.

Thus Houston suffered a far higher proportion of closures and business contractions in the first half of the 1970s than did Worcester, Mass. But at the end of the period, the number of jobs in Houston had risen by more than a quarter, whereas Worcester had shown no growth at all. Similar trends are visible in other dynamic places, like Atlanta or Los Angeles.

The conclusion, according to author David Birch, is that the fortunes of successful firms fluctuate as they grow and that aggregate growth has a foundation of massive, continual failure. Instability kills complacency and stretches resources; stagnation is the greatest single threat faced by individual firms and communities.

Birch argues that a higher rate of "internal turbulence" – the combination of business start-ups and closures – is one of the key differences between the US economy and those of European countries like the UK and Sweden. Although his statistics look a little shaky, he does argue convincingly that fear of failure has been a big handicap for European enterprise.

American culture encourages unsuccessful entrepreneurs to pick themselves up, dust themselves down, and start all over again. Failure is a more searing experience in Europe, which helps to explain why university graduates in countries like Sweden or Holland are much more likely to seek employment with industrial giants than to consider starting up on their own.

Another striking feature of the US regional analysis is that the greatest growth has come from higher, rather than lower, cost areas. Places like San Francisco, Phoenix, Boston or Atlanta present businesses with above-average costs for labour, land, housing, transport and taxes relative to their localities, and in most cases, relative to the country as a whole.

Firms do not start up around Boston because they crave high costs. They do so because of the quality of the workforce and of the local business infrastructure, and also presumably because of the relative strength of the local economy.

Birch, a lecturer at Massachusetts Institute of Technology, has built his work on the histories of some 12m business establishments since 1969. The raw data came from Dun and Bradstreet, and the establishments covered in 1986 represented about 95 per cent of all non-government workers in the US.

One conclusion to be drawn by policy-makers from these great slabs of occasionally incomprehensible data is that corporate setbacks play a natural part in a healthy economy. Attempts to keep struggling firms alive and to avoid lay-offs may well be counter-productive.

Another is that dynamic regions are noted for attracting start-up operations, rather than for luring outsiders from their old domiciles. Tennessee's success in bringing in Japanese investment in the motor industry has had an insignificant impact on the overall employment picture in the state. So the highest priority should be placed on creating the kind of climate which encourages entrepreneurial activity.

This includes breaking down the barriers to labour mobility – a recent study by the UK Employment Institute found that job-related migration across a state line by US manual workers is in the order of 18 times greater than migration between regions for job-related reasons by similar groups of workers in the UK. And it means doing everything possible to encourage innovation and risk taking.

The book quotes approvingly the words of the entrepreneur who built Federal Express. "Many times action is not the most risky path. The most risky path is inaction."

Richard Lambert

Men and Matters

A bank for all Italians

At the next meeting in Basle of central bank governors, Carlo Azeglio Ciampi of the Bank of Italy may allow himself a small frisson of self-congratulation.

Looking around the table, he may ask himself how many of his colleagues would be judged by their fellow citizens to be heading the most efficient institution in their countries.

This plaudit has been handed to Ciampi's bank by an Italian opinion poll published yesterday.

No fewer than 58 per cent of a sample poll award the efficiency prize to the bank – which is followed at an immense distance by 13 per cent for the Italian armed services. Those with more than a casual acquaintance with Italy will not be surprised to learn that parliament (4 per cent), and the local health service administrations (1 per cent) bring up the rear.

The same poll has brought a lesser, but none the less important, comfort to the trade unions, which lead the list with 34 per cent among the organisations judged to be closest and most sensitive to people's wishes.

Runabout

Hoardings which are now being put up all over Britain to advertise the Peugeot 405, voted 1988 car of the year, are a marvellous plug for Coventry.

The city's name (with a Churchillian victory gesture in place of the "V") dominates the design under a slogan saying the car of the year is being built there.

This bursting civic pride sits oddly with the advertisements run by Peugeot in 1986. They promoted the company's 309 model by saying: "Every Peugeot 309 bought in Britain is being built in Britain. At Ryton in Warwickshire to be precise."

Nowhere in that advertisement appeared the name of Coventry – a city which suffered for many years from an reputation for militant car workers.

Nevertheless, the fact is that Peugeot's Ryton plant straddles the boundary of Coventry, which is in the West Midlands. The company does, however, pay most of its property rates to the adjacent Rugby local authority which is in Warwickshire.

Peugeot strenuously denies, of course, any suggestion that its new advertisements could be cashing in on the recent FA Cup success of Coventry City Football Club.

Retiring reds

Should we be watching in 1988 for a worldwide retreat by the standard-bearers of the old Red Guard?

Hot on the heels of the removal of Czechoslovakia's Gustav Husak, another Communist Party stalwart is about to stand down. William Kashtan, aged 78, leader of the Communist Party of Canada, is to retire at the 1988 party convention in May after 23 years in the job – to which, I hasten to say, he was democratically elected in the style of the west.

His likely successor is George Hewison, a former official of the United Fishermen and Allied Workers Union in British Columbia, and a keen guitar player.

It is now 43 years since the Canadian Communists – the party was founded in an Ontario barn in 1921 – last had a member of parliament elected on its ticket (Fred Rose).

Under Kashtan, the party has made few advances of popularity, with membership fluctuating between 3,000 and 5,000, and there is no sign so far that the new glasnost is doing anything to revive its fortunes.

Thatcher's Europe

Among the bouquets being handed out to Margaret Thatcher, now that she has become the longest-serving British Prime Minister of the century, few will smell as sweet as a

"You're about as tactful as a Foreign Office minister on an official visit"

nomination for the post of President of Europe.

No matter that the job does not exist.

The reality is that a sample of European business people, in a poll carried out by International Management, has made her the prime candidate for the post, with more than twice as many votes as France's Giscard D'Estaing, and three times more than west Germany's Helmut Schmidt.

Yet the bouquet turns out to be barbed by the low level of overall voting. Her winning total is just 49 votes, against Giscard's 21, Schmidt's 16.

Lewis's lives

Unlike the usual habit of the great and the good when appointed president of a professional body, Roy Lewis, aged 54, the new president of the Institute of Chartered Secretaries and Administrators, is treating his one-year term as a full-time job.

He has taken a sabbatical from his job in the north of England, has moved to London, and intends to throw himself into an intensive review of education and training for his 45,000 international membership.

Such frenetic presidential activity becomes less surprising on meeting Lewis, who comes from the Rhondda Valley, south Wales. He is a man who gives the impression of always being in a hurry.

So far his multi-faceted career has taken him from the Royal Artillery to the Bar, and then on to an academic career after gaining an MA in Social Sciences.

After a period as a schools inspector, and secretary of the association of schools inspectors, he went into education administration and has been principal of Wigan College of Technology since 1981.

He also finds time for at two other careers, each of which would tax many of us to the full.

He has become a successful business man both on his own account and helping establish profit-making companies for his college. And he is an author with an international reputation built on 15 law books and 35 crime novels.

Lewis says he usually writes two novels a year – but regrets he may only manage one-and-a-half during his presidential year.

He has two main characters, each of which has a devoted following. One is Eric Ward, a Newcastle solicitor, the other is Arnold Landon, a planning officer with a taste for medieval buildings. "They love them both in the United States," he says.

Holy orders

I have news for those who say the Church is out of touch with modern life.

A New York firm specialising in "religious accessories" is finding a brisk market for canned Communion wine and aerosol incense.

Observer

Economic Viewpoint

Raise UK interest rates when sterling allows

By Samuel Brittan

NOW THAT we have had our fill of New Year forecasts and gloomy forebodings for the world economy, it is time to look at the latest data for the British one. These confirm the impression that Britain is at or near the head of the international league in the growth stakes. But they also underline that success has its problems just as much as failure. Here is an "executive summary" of my conclusions.

Demand and spending are growing too quickly for comfort in the UK, despite the stock market setback. The UK's external and internal finances are strong enough to maintain a pace of advance above a somewhat sluggish world average, but not to take risks with overheating.

Mere forecasts of slower demand growth ahead are an insufficient basis for policy, especially as some of the reasons for a possible slowdown, such as reduced export growth, are *not* themselves very encouraging.

The case for domestic demand restraint is, for the moment, overriden by the need to prevent sterling overshooting, especially against the D-mark. But sterling will not always be under upward pressure; and the first opportunity should be taken to reverse the *recent cuts in base rates*, totalling 1½ per cent, which were not justified domestically.

Because of real fiscal drag - ie the tendency of tax receipts to rise faster than income - tax cuts of about £3bn would be compatible with a near zero borrowing requirement in 1988-89. To abandon tax cuts would represent a deliberate tightening of fiscal policy. Whether the Chancellor should do this is a matter of weighing the claims of demand management against the benefits of those structural reforms which are politically possible only in the context of overall tax cuts.

* * *

It is best to start a more detailed analysis with the national income figures for the third quarter of 1987. A particular reason for doing so is that the 1987 Budget Red Book stated that "monetary policy aims to bring about a gradual reduction in the growth of Money GDP over the medium term." (Money GDP is the Treasury term for what is better known internationally as Nominal GDP.) This refers to the growth of the Gross Domestic Product before adjusting for inflation. The idea is that if it is put on a declining path, inflation will be gradually squeezed out of the system while leaving room for real growth. This sentiment has been in one form or another near the front of every Red Book since 1982.

Indeed, the growth of Nominal GDP did come down from high double-digit rates at the beginning of the decade to about 7 per cent in 1986-87. But 1987-88 has marked an upward breakout. The projected growth of Nominal GDP was raised from 5¾ per cent in earlier statements of the Financial Strategy to 6½ per cent in 1986 and 7½ per cent at the time of the 1987 Budget.

To play fair I am taking the two middle quarters of 1987 together - which happen to be the first half of the financial year. Even this averaging procedure leads to an increase in Nominal GDP so far this financial year of 9.5 per cent, some two percentage points above the Budget estimate. It could be revised upwards in due course to perhaps 11 per cent.

It must be said that all these figures relate to the period before Black Monday, October 19, when equity prices crashed. Yet there is remarkably little evidence that the Stock Exchange shakeout has affected spending or output. Any dampening effect on consumer wealth has been offset by the stimulus of interest rate cuts.

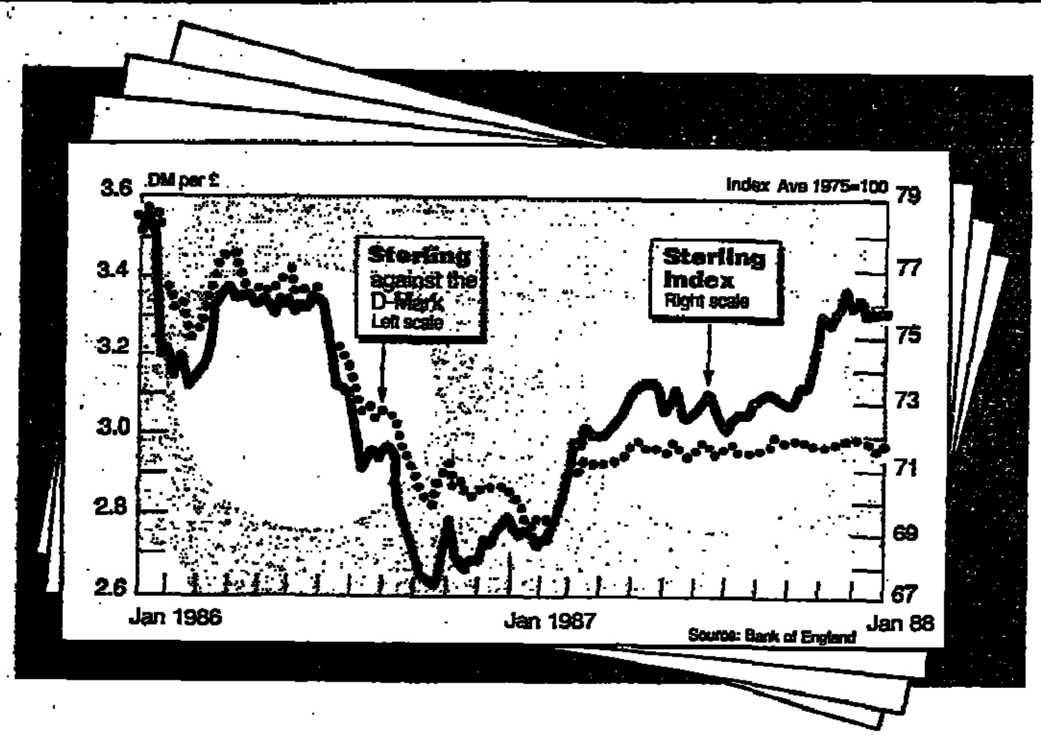
The benefit of looking at Nominal GDP is that one avoids taking a dogmatic view of how much real growth the economy can stand, which is why it is superior to discussions of overheating in purely physical terms.

With a Nominal GDP objective, it does not matter how fast real growth is, provided it is offset by reduced inflation - which it has not been in the British case. Underlying inflation at 4 to 5 per cent is near the top of the Group of Seven nations range.

Two arguments can be given for not worrying about the overshoot of Nominal GDP. The first is that the overshoot has been mainly due to higher real output. Inflation, although too high, is only very slightly above the Budget projection.

This would be more convincing if the trend growth in output had really risen to 4 or 5 per cent per annum, or if the working of the labour and housing markets had so improved that we could have several years of above-trend growth until full employment were regained.

But not even the most optimistic interpretation of the Thatcher experience would support either proposition. The productivity spurt has been *mainly in manufacturing*, which accounts for a quarter of the economy. Despite recorded unemployment of 2.6m, the labour and housing markets still work so badly that firms in south east England are finding it difficult to recruit skilled engineering workers even with the incentive of a company car. Britain's structural economic problems have not, despite what the Prime Minister said, been "cured."



Experience shows that if output is forced up too quickly in advance of structural reform, inflationary pressures will develop. One way in which overheating can show itself is in pressure on the trade balance, with imports rising faster than exports.

As a creditworthy country enjoying fiscal stability, the UK can grow faster than other G7 countries for a reasonable period of time at the expense of a modest payments deficit. The Goldman Sachs New Year Economic Analysis points out that even if the UK were to run a £5bn current account deficit for the rest of the decade (or £7bn, making a very modest allowance for underrecording) it would represent only 0.8 per cent of national wealth. But the case for doing so depends on the resultant overseas borrowing financing investment rather than consumption - which is *rather difficult to determine* even after the event.

Thus we are brought back to the second argument for not worrying: namely that the present rise in demand is a fluctuation of the kind allowed for in the Red Book; and that both Nominal and Real GDP growth will slow down to safety levels in 1988-89.

The Goldman Sachs forecast is one of the most detailed since the Autumn Statement. It agrees with the Treasury in expecting real output growth to slow next year to 3 per cent or less, with an even faster deceleration in the second half of 1988.

Where does the slowdown come from in the Goldman Sachs forecast? Both investment and *government consumption* are expected to rise more quickly. Exports are, however, expected to slow because of sluggish world growth and some decline in British competitiveness, especially against the dollar area.

Some slowdown is also expected in the growth of consumers' expenditure from recent very high rates. Any forecast hinges crucially on whether the savings ratio, which has fallen dramatically from 13 per cent in 1981 to 9 *per cent in 1985 and* 6½ per cent in 1987, continues to decline, levels off or begins to recover.

For these worried about excessive pay settlements the most encouraging aspect of the Goldman Sachs forecast is an expected fall in the growth of *non-oil gross trading profits*, correcting for privatisation, *from over 20 per cent in 1985-6* and 10 per cent in 1987 to 6 per cent in 1988.

Whatever forecast one examines, *there are few grounds for downgrading the evidence of* what is actually happening.

There is only one justification either for having made the interest rates cuts at the end of 1987 or for not reversing them immediately. This is to prevent sterling *rising* above the DM3 ceiling.

It is questionable whether the *Government* was justified in allowing sterling to fall so much in 1986 on the pretext of a collapsing oil price. But this is now water under the bridge, and it would be absurd to allow a rising pound to undermine competitiveness, especially as any appreciation of sterling against the D-mark would only turn out to be a *temporary bubble*.

A Nominal GDP target should thus be subject to an exchange rate override. The reasoning is that a policy of *keeping sterling within the* DM2.80 to DM3 range indicated by the Chancellor in his December 9 evidence to the Treasury Committee is the best available guarantee against a resurgence of inflation, especially if he tries to stay in the top half of the range. If the upper end of the range is disregarded there will be little grounds for confidence that the all-important lower end will be maintained.

A band of this kind leaves a large scope for monetary policy to be influenced by domestic conditions when sterling is not up against the limits. Unless there is early and convincing evidence of a cooling in demand, *interest rates should* be raised when the sterling market allows it, which may be sooner than people realise.

The intervention recorded in the December reserve rise is last year's news. There is no realistic possibility of a Budget much tougher than one with a near-zero borrowing requirement; and that in itself will not be sufficient restraint without monetary reinforcement.

NATIONAL INCOME ESTIMATES
1st half of 1987-88, % change on same period year before

	Nominal	Real
GDP Budget projection	7½	3
GDP Outturn	9.5	4.6
GDP after est. future revisions	9¾ to 12¼	5 to 6¾
Total final expenditure	9.7	5.0
Exports*	12.4	5.9
Imports*	13.0	8.8

*Including services.
N.B. Except for GDP, all figures are based on CSO estimates of outturn.

Lombard

The banality of forecasts

By Clive Wolman

THE GENRE of New Year interviews and surveys of fund managers and share analysts on their views of the stock market prospects for the next 12 months has reached new heights of popularity – and banality.

Newspaper and magazine articles and stockbrokers' and fund managers' circulars invariably conclude that investors on average are cautiously *optimistic*.

For example, in what must count as one of the most otiose pieces of stockbroking research, the Shearson Lehman year-end opinion poll of investment managers' views concludes that the average expectation is for a market rise of about 8 per cent in 1988, with the appropriate economic figures to back it up.

But how could it have come up with any very different figure? If, for example, the conclusion had been that investment managers on average thought the market was going to fall by another 30 per cent, one would have been rather puzzled as to why those investors had not started to liquidate their portfolios and driven share prices down by 30 per cent already.

We already have an opinion poll of fund managers *conducted every day through their* buying and selling in the stock market. The results of a separately conducted poll will reveal only what the market is already saying. If investors compare the (after-tax) interest to be earned from putting their money in the bank with the dividends from shares and allow for a risk premium from holding shares they will - on average - always expect the market to rise over the subsequent 12 months by about 10 per cent.

The more serious point is that these surveys form part of a splurge of tendentious attempts to second-guess the stock market by predicting next year's trends for the economy, corporate profits and share prices. As a result of the anxieties generated by October's stock market crash, the rewards from successfully posing as someone with predictive insight have become too tempting. Like the prophets of doom and the false messiahs of hope who appeared in response to the troubles of first century Palestine, anyone who can articulate a superficially plausible case – optimistic or pessimistic – attracts an immediate following.

The soothsayers, who include in their ranks fund managers, stockbrokers and even some newspaper colum*nists, use several methods to* establish their credentials. The most popular is to prove that they foresaw the crash by unearthing some statement they made back in the summer of the form: "The market looks greatly overvalued." The fact that they followed these statements with all kinds of disclaimers and qualifications and made similar statements during the earlier bull market corrections of 1983, 1984, 1985 or 1986 is overlooked.

The other popular sales pitch is to produce, not a conventional form of securities valuation or economic analysis – which would be too much like hard work – but some kind of historic parallel usually with the 1973-74 bear market or the 1929 Wall Street crash and subsequent recession. By playing around with the axes, you can produce charts of the stock *market price movements in* 1929 which look exactly like the charts of 1987.

If there is any proposition in economics which has been thoroughly tested, it is that past patterns of share price movements give no clue whatsoever as to future price patterns. History does not repeat itself. The other well-tested proposition is that at least 90 per cent to 95 per cent of UK investment analysts and fund managers are incapable of making any better forecasts *about share prices than the* stock market itself. Even the other 5 per cent to 10 per cent seem able to achieve only by the thinnest of margins higher returns than the man in the street could achieve from a random selection of shares.

The only way of handling the doomsters or the messiahs is to tell them to put their money where their mouths are leaving the rest of us in peace.

Letters to the Editor

Pockets of new hope

From Sir Charles Villiers.

Sir, Mr Denis Delay, of the Steel Committee of the Trades Union Congress, wrote (Letters, December 30): "Policy makers need to be reminded of the immense sacrifice made over the past decade by British Steel workers and their communities...for which a price is still being paid in terms of mass local unemployment." Much of the agony was caused by steel works closures while I was chairman of the British Steel Corporation, 1976-1980, and by redundancies under Sir Ian MacGregor, our chairman during 1980-1983.

Mr Delay does not, however, refer to the work done by BSC (Industry) Ltd, the job creating arm of the BSC, set up in 1975 under Sir Monty Finniston and supported by all subsequent chairmen.

By direct finance (£21m), nine managed workshops and sponsorship (£2.5m) of 19 Local Enterprise Trusts or Agencies, BSC (Industry) has helped to start or grow over 2,700 businesses. These have so far provided new job opportunities for at least 70,000 people in the steel closure areas, where, in a number of cases, unemployment is down to a level approaching the national average. We expect that at least 10,000 new job opportunities will be created there in 1988. We have supported many other programmes to broaden the base of these formerly steel-dependent communities, which are now pockets of new hope.

Our work is driven along by experienced, dedicated people. We work closely with the Government bodies, agencies, banks, companies and charities committed to the regeneration of the old staple industry areas. This renewal is actually happening now, as those who visit can see, and the agony is diminishing.

The closures and redundancies had to be made if steel was to recover, as it has. The steel communities are now also recovering, taking their place in the new industrial Britain.

Charles Villiers,
Chairman, British Steel Corporation (Industry) Ltd,
9 Albert Embankment, SE1

A year in the life of a commuter

From Mr Peter R. Breen.

Sir, I have just survived (rather than celebrated) one year's commuting on British Rail's Network South East.

During this year I have clocked up a cumulative lateness in arrival at my destination of just over 4,500 minutes or, taking the working year at 45 weeks excluding bank and other holidays, 100 minutes per week or 20 minutes per day - a 21 per cent over-run on a timetabled two-way journey time of 97 minutes.

(This does not include days on which trains did not run, for example, during the snow of early 1987 or the hurricane damage of October last.)

Reasons for the lateness have ranged from leaves on the track (yes, really); defective rolling stock; faulty points; lack of a guard and lack of a driver.

The results of the lateness range widely. First, reduction in morning attendance at my place of work, where this has meant, effectively, the loss of a full working week during the course of the year, not to mention the irritation of missing early morning telephone calls, and the embarrassment of arriving late for scheduled early appointments. At the other end of the day, the 37 or so hours of "lateness" have resulted mainly in lost attendance at childrens' school plays, missed dinner appointments, and that much less time spent with the family.

Would that my experience were unique. It is shared by hundreds of daily fellow travellers on my journey between Edenbridge Town and Victoria. Nor – to judge from the reactions of my business colleagues around London – is it confined only to this route. Far from it: lateness because of British Rail now seems endemic in the south east.

Is this not now a national disgrace? When averaged out across the working population which uses British Rail to travel to and from the work place, the hundreds of thousands of working hours lost each year should surely be a matter of concern for our efficiency-conscious Government?

Time was when taking companies out of public ownership was a device not only for raising more money for the national coffers, but also to put management into private, properly motivated, efficient hands. Is not the time overdue when the travelling public is entitled to such a fundamental change of management? It cannot be worse than what we have today.

Peter Breen,
Christmas Place,
Edenbridge, Kent

Wind should not cause problems

From Mr P.L. Worthington.

Sir, It was appalling to read that the construction of the much-needed Dartford Bridge might be delayed, and its cost increased, if a wind shield were insisted upon. Surely, when the wind strength was likely to cause problems, it would be a simple matter to divert high-sided vehicles through the Tunnel?

How frequently do strong winds cause the Severn Bridge to be closed to cars and small commercial vehicles?

Adequate directions, where the Bridge approach roads join those of the Tunnel, would easily effect the diversions. However, perhaps I have missed a point, and it is proposed to make the Bridge and Tunnel uni-directional?

P.L. Worthington,
Thorpe Langton Grange,
Market Harborough, Leicestershire.

New materials group might advance prospects for British steel

From Dr Jeremy Bray MP.

Sir, Motherwell District Council, with its three important steel works, Ravenscraig, Dalzell and Clydesdale, is concerned about the effects, on employment in the district, of the government's plans to privatise the steel industry.

With the support of Hamilton, Monklands, and Clydesdale District Councils, the council has commissioned Arthur Young, the accountancy firm, to carry out an urgent study of the forms of privatisation which would best secure the future of the component parts of the British Steel Corporation. *Specifically it will* examine the feasibility of a separate new materials group, including Ravenscraig continuously cast slab and hot rolled coil, Shotton coated strip and sheet, and Dalzell plate.

The Labour Party's wish to maintain the competitive public ownership under which BSC has so much increased its efficiency, *has the force of commercial* logic. If, however, commercial logic fails, and the Government's majority is used to force through the privatisation of BSC, it should be privatised in a form which secures for the country as strong and competitive a steel industry as possible in the circumstances.

This may not be secured by privatising BSC as a single entity, creating in this country almost a private monopoly of bulk steel production which is able to restrict home supplies to customers and force up prices.

The terms of the privatisation announcement, with its specific references to Ravenscraig and Dalzell Works in my constituency, make it clear that the Corporation's first line of defence, as so often threatened in the past, would be what is, for the Corporation, the soft option of closing these works and restricting supplies to home customers. Already the works are very busy, and deliveries have gone out to 15 weeks. A better course would be to challenge the component parts of BSC to continue the competition under which they have performed so well in recent years.

Since the closure of its own cold strip mill at Gartcosh Works, Ravenscraig has become the principal supplier to the coated sheet producer Shotton Works, in North Wales. This is a highly profitable niche market which, with the sole UK heavy plate mill at Dalzell Works, would almost certainly make the new materials group a very viable enterprise. Port Talbot and Llanwern would be large enough to compete effectively in the general sheet market in Europe, building up our market share to the levels Britain will need in the post-North Sea oil economy; they would also continue to make sales to Shotton.

The new materials group, and the rest of the present British Steel Corporation, would be more likely to achieve the pace of technical development now needed to maintain a competitive steel industry in an advanced industrial country, as competitors rather than as a restrictive private monopoly.

At Port Talbot and Llanwern, BSC is still investing heavily in what is basically the 30 year old technology of continuous mills. They do not have Ravenscraig's steel refining capacity, and Llanwern does not have Ravenscraig's 100 per cent continuous casting.

There is much to be said, nationally, for having a few "eggs," in a new materials group "basket", that might turn into the continuously cast thin slab and even continuously cast sheet of future advanced materials, including composites, laminates and coated steel and other metals.

The Government has not yet considered the possibility of a new materials group on these lines: it was thought politically impossible to put together Welsh and Scottish plants in the same enterprise. That seems to underestimate the Welsh and the Scots.

The Scottish district councils are inviting Shotton to join in the study. There are many possible forms of consequent company structure and association, perhaps with other British or overseas companies.

BSC will of course oppose the proposal on the grounds that it increases competition. It will argue that it will get enough competition from overseas. It will have the tricky task of arguing that it will be fully viable as a monolithic entity, but not without Ravenscraig, Shotton and Dalzell.

I hope that BSC, the Government, and interested companies will cooperate fully with the Arthur Young study.

Jeremy Bray,
House of Commons,
Westminster, SW1

FINANCIAL TIMES
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Saudi expatriates breathe a sigh of relief

Finn Barre in Riyadh reports on prospects for a community in the sun that has long enjoyed shelter from the chill winds of tax

THE COLLECTIVE sigh of relief from Saudi Arabia's 4m expatriate inhabitants was almost audible on Tuesday when, only two days after decreeing the imposition of a long-defunct system for taxing their incomes, King Fahd rescinded the measure.

Morale had collapsed with the announcement on Monday. "We are only here for the money, and without that, what's the point?," said one, voicing a common opinion. The community had been stunned to learn that even those who make as little as SR6,000 ($1,600) a year would have to pay taxes.

Mr Saleh al-Omair, deputy minister of finance and national economy, yesterday said the graduated income schedule would be revised in spite of a statement by the official government gazette, Umm al-Qura, that the earlier income tax, scrapped after 1975, would be reinstated. Mr al-Omair now claims the article was incorrect. He promised that "generous" new tax brackets would be established.

The Government's change of heart probably had more to do with protests from employers than the discontent of the foreign workers. Work nearly ceased at the Citicorp, Hong Kong and Chase Manhattan joint venture banks as their employees sombrely contemplated the loss this month of up to 42.5 per cent of take-home pay.

The maximum flat tax rate proposed was 30 per cent, including housing, air tickets, children's education and car allowances. These are normally provided free of charge for professionals. All expatriate workers in the kingdom receive air fares to and from their home countries, and most receive free housing and transport benefits.

The prospect of losing most top-level employees – perhaps 30,000 Americans, 30,000 Britons, 3,000 Germans, plus other Westerners, proved too much for the Saudi Goverment. Banking and medicine were particularly vulnerable to resignations.

The possible loss of high-quality medical specialists has already led to one prompt surrender by the Ministry of Finance and National Economy: the King Faisal Specialist Hospital in Riyadh, whose tax-depressed staff hardly worked on Monday, secured a royal exemption even before the measure was rescinded. This hospital's heart surgeons operate on the royal family. Other hospitals have been clamouring for a similar exemption before their medical staff disperses.

Businessmen are privately exasperated because they were not consulted before the tax was announced. Heavyweight representatives of the business community immediately began making private calls on princes.

Observers believe that the reintroduction of income tax will not be stalled forever. Quite apart from providing extra revenue to the Government, which needs to borrow SR30bn, or more than 20 per cent of projected expenditure in 1988, a levy on expatriate income would be politically popular with the local Saudi constituency.

King Fahd: rescinded move.

Whatever the Government's intentions the original announcement was certainly maladroit, suggesting as it did the simple restoration of a scale of taxation in force when income levels were up to 10 times lower than they are.

Under the proposed plan, those with incomes under SR6,000 a year would be exempted. Those who earn up to SR16,000 ($4,267) a year would pay 5 per cent. Those earning up to SR36,000 a year would pay 10 per cent. Up to SR66,000 would pay 20 per cent and those earning above that would pay 30 per cent.

The expatriates-only income tax would generate money to overcome a SR38bn ($10.1bn) budget deficit. On December 30, the Saudis unveiled an SR141.2bn ($37.6 bn) budget, of which SR8bn ($2.13bn) will be drawn from financial reserves and SR30bn ($8bn) will be financed through borrowing. The kingdom last borrowed 20 years ago. Under the new borrowing plan, treasury paper or similar debt instruments will be issued. The income tax is a supplement to the drawdown and the treasury paper.

The anticipation of income tax revenue may explain why Saudi oil revenue projections of SR68.9bn ($18.3bn) were based on nearly $20 a barrel at the kingdom's Opec quota. The Opec benchmark at present is $18 a barrel and prices are likely to decline this year. An income tax could make up the difference.

Yet even if the Government backs down completely, expatriate morale will take a long time to return. "I think it's a polite way of saying goodbye," said a melancholy Sudanese. Many think that the tax would help ease out higher-level expatriates and make room for more Saudis.

Expatriates will now be wary of similar moves in the future and this is particularly true of the large numbers of Palestinian and Lebanese origin.

Added to this is concern over reimbursements by the General Organisation for Social Insurance (Gosi). Many expatriates who had worked in the kingdom for 10 years found last March that, on the verge of qualifying for the generous Gosi payments, the programme was being stopped for foreigners. The Government promised reimbursement of payments, but after almost nine months, this has not happened.

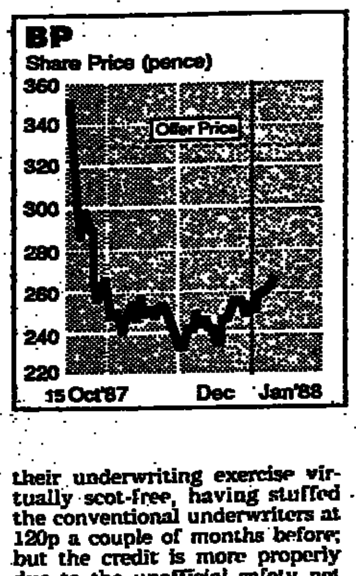
The announcement that completion bonuses would be taxed generated additional concern. Under Saudi labour law, for the first five years an expatriate works for a company, he or she receives a departure bonus of two weeks a year. For every year worked after that, a full month's departure bonus is paid. The income tax would effectively strip one third from most expatriates' departure bonuses.

"Suddenly, I have been made to feel unwelcome," a Palestinian said.

THE LEX COLUMN

Japan fixes its stock market

If foreign investors were ever in any doubt that the Japanese stock market is a *different* animal from Wall Street or London, the decision to fudge the accounting rules so that local institutions can hide the stock market losses of their huge Tokkin funds is a clear reminder that in Tokyo they have their own way of doing business. The Japanese might pay lip service to the idea of free markets, but at the end of the day the authorities will bend over backwards to stop the stock market from falling.



Allowing institutions to value their investments at the higher of cost or market value, in order to prevent forced selling at the year end, would almost certainly have sent a nervous shiver through the financial markets if it had been announced in London or New York. But in Tokyo the Nikkei average jumped by 5.6 per cent on Wednesday, its second biggest rise ever, and the shares of Daiwa Securities, one of the biggest brokerage firms, rose by close to a fifth.

The Ministry of Finance's decision may have done wonders for the morale of the Tokyo stock market – and judging by the surge in volume institutional investors have resumed buying – but it confirms suspicions that confidence in the Tokyo stock market was at a pretty low ebb in the final days of last year. The fall in the market after the October crash meant that the Tokkin funds were showing substantial book losses and there were real fears that they would be distress sellers over the next few months. This would have exacerbated the position of the small investors who had borrowed heavily on margin to buy stakes in recent privatisation issues such as NTT and JAL, both of which are trading at substantial discounts to the offer price. Yesterday's jump in the market should help curb any forced margin selling and may have limited the market's downside potential. However, when taken together with the recent heavy central bank intervention to stem the dollar's slide, it is another worrying reminder that overall confidence in the world's financial markets remains exceedingly fragile.

BP

As it turns out, the 70p safety net for BP could hardly have been better pitched. Had the Bank of England and the Treasury known that it would prove just high enough to support the market last October and just low enough to avoid renationalising the company, each might have fought still harder to claim the idea as its own. The authorities turn out to have escaped from their underwriting exercise virtually scot-free, having stuffed the conventional underwriters at 120p a couple of months before; but the credit is more properly due to the unofficial safety net provided by the Kuwait Investment Office.

The whole chapter of the Bank's support package has been unusual in the extreme, and it has ended on a suitably unpredictable note. There was always the outside chance that the partly paid shares would rise when the net was withdrawn as those who had sold short covered their positions. But that did not seem to account for yesterday's 4p rise in the new shares to 76p, which besides took place in a flat market for equities and despite a fall in the oil price. The movement started in the old shares where volume was unusually heavy, and then spilled over into the new which for almost the first time started to look relatively cheap. Conspiracy theorists had a field day, arguing that the KIO – or even the Government itself – was pushing up the fully paid shares to make sure the Bank would end up with as few as possible of the new. Fundamentalists pushed the equally unsatisfactory theory that investors had started buying because the shares suddenly looked cheap in their own right. Either way, one thing was amply demonstrated – the withdrawal of the Bank of England does not mean the end of the fun in BP shares.

Equities

Tokyo notwithstanding, the London equity market still lacks the ring of confidence. By yesterday lunchtime the FT-SE 100 index was very nearly 100 points up from Monday's opening, but there was then a brisk retreat in response to an indecisive start on Wall Street.

It is easy enough to see why fund managers would want to push the market higher at present: besides the liquidity from cash bids and January's gilt interest payments, there is the comforting feeling that with the year end out of the way there are three months to go before the next round of performance measurement. But then, most fund managers will not have had the chance to discuss the 1987 outcome with their trustees yet, and may be a touch unsure of what is expected of them in 1988.

Nor is it yet easy to see equities as fundamentally cheap. With the gilt market still unsettled by its private worries over inflation and interest rates, the yield ratio is around the middle of its historic range. There is also the threat that the downgrading of profit forecasts which has so upset the store sector over the past couple of days could extend to other sectors. It is still possible to construct a case for continued recovery in equities, based on cash flow and the current unattractiveness of gilts; but the market is also uneasily conscious that the past few days would also be consistent with a normal bounce in a continuing bear market.

RHP/Burgess

Is paper back in favour? The fact that RHP yesterday managed to launch the first all-paper bid since the crash – involving no less than a two-thirds increase in the company's equity capital – and *still* see its shares close higher on the day might seem to suggest so.

But conjectures about the returning vigour of the market are quite likely misplaced. The market's reaction probably reflects more the extremely cosy nature of the deal – and its price – than any renewed appetite for paper. New-look RHP, with its ball bearings disposed of, is being reversed into by a smaller and hungrier group in the same middle-tech sector of electricals and electronics; the synergies are obvious and Burgess go-getter Bob Morton should be able to do something creative with £55m net cash in hand. And given a price of only 11 times Burgess's prospective earnings, dilution should be negligible.

In certain lights, the offer price of 264p – representing no premium at all on Burgess's Tuesday night close – could even look cheap. But that would ignore the small matter of a 22 per cent rise in the Burgess share price in the 48 hours prior to the bid – something the Stock Exchange should view with interest.

Diamond sales soar to record $3.075bn

BY KENNETH GOODING, MINING CORRESPONDENT, IN LONDON

UNCERTAINTIES generated by crashing stock markets in October came too late to prevent record sales last year of uncut diamonds by De Beers, the South African group which controls 80 per cent of the market.

The company's London-based Central Selling Organisation reported yesterday that its sales in 1987 totalled $3.075bn, about 13 per cent in dollar terms above the previous peak of $2.72bn in 1980.

The CSO said that, following Black Monday, it took the precaution of reducing its November and December allocations to the diamond cutting trade and "this move has been well-received".

An official pointed out that the November orders had been placed ahead of the October 19 collapse in world equity markets and those orders reflected the extreme buoyancy of demand up to that time.

"We recognised that the trade would prefer to keep a tight control on stocks because of the uncertainty and scaled down the allocations. That is part of the organisation's job, to remain flexible and react quickly to market conditions", the official said.

Analysts do not expect the market for gem diamonds to suffer significantly in the wake of the stock market crash. The CSO suggested yesterday that demand was standing up quite well.

In particular, the signs were good in the US, the largest market for gem stones which accounts for 38 per cent of sales. During the main selling season – between Thanksgiving (in late November) and Christmas Day – when 40 per cent of US sales take place, demand was "reasonable and better than expected", said the CSO.

Last year's CSO sales were 20 per cent ahead of the $2.557bn achieved in 1986, which in turn was 40 per cent ahead of the 1985 total. During those years traders were restocking as the market made a speedy climb out of recession. Following the 1980 peak, CSO sales dropped by more than half to only $1.2bn in 1982.

The sales figures have been helped by CSO price increases of just over 14.5 per cent in 1986 and a further 10 per cent last October.

The fall in the value of the dollar also helped sales, which are denominated in dollars world-wide, in countries with strong currencies. Demand was strong last year in Japan, which accounts for about 22 per cent of the gem diamond market, and the CSO said there were signs of an improvement from a small base in West Germany which so far has shown little interest in gem diamonds.

The CSO makes no forecast but Mr Peter Miller, an analyst with Shearson Lehman Brothers, suggests that demand for large, top-quality gem diamonds is bound to experience some weakness in the months ahead but the diamond market overall is not likely to suffer much apart from a noticeable move towards slightly cheaper jewellery.

Mr Edmund Goldstein, president of the World Federation of Diamond Bourses, said there were already some positive signs that demand would hold up after the stock market collapse. But, whatever happened, the diamond trade was much stronger than when the recession hit in the early 1980s.

UK group severs links with Citicorp

By Nikki Tait in London

DEE Corporation, Britain's third largest grocery group, yesterday severed its links with Citicorp, the US bank which has helped to finance Barker & Dobson's £2bn ($3.6bn) bid for Dee.

Citicorp is lead manager for the seven-strong banking syndicate which is providing a £1.6bn loan facility for the much smaller Barker & Dobson.

Dee is dismissing Citicorp and its subsidiaries from all their banking relationships with Dee and its subsidiaries. These include the provision of borrowing, credit and banking facilities to Hermann's, Dee's large sporting goods subsidiary in the US; the handling of the British group's American Depository Receipt programme; and the roles of issue and paying agent for Dee's £200m commercial paper, and paying and conversion agent for Dee's £66m convertible bonds.

Dee has informed Citicorp of its decision in a letter to Mr John Reed, the bank's chairman and chief executive.

Yesterday, Citicorp's New York headquarters refused to discuss the Dee letter. "We never comment on a customer matter," it said.

The loan facility consists of £1.25bn to fund the cash element of the Barker & Dobson offer and £350m for further working capital. Citicorp, which has been an active participant in many recent leveraged deals – deals financed by borrowing against the assets of the company being acquired – in the UK, is putting up £650m, the largest single slug. The next biggest lender is Chemical Bank, providing £350m.

Mr Alec Monk, Dee's chairman and chief executive, yesterday repeated his earlier criticisms of the US bank's behaviour. "They see themselves as common carriers of capital," he said, "rather than as lenders. I don't see how anyone is going to bank with them if they go around like this."

This is not the first time Citicorp's appearance as a predator's backer has caused a defending company to sever links. In August, the US group Gillette ended a 22-year banking relationship after Citicorp emerged as lead lender in Revlon Group's unwanted proposal to buy Gillette.

Loyalty dilemma facing Nobrega

Continued from Page 1

will it? For it was in large measure the refusal of Mr Sarney, despite repeated promises to the contrary, to allow Mr Bresser to grapple effectively with the perennial issues of spending cuts and revenue raising that brought about the former minister's resignation last month.

Time after time under the Bresser stewardship, the President allowed political pragmatism to override economic necessity. The most obvious example was his authorisation of massive pay increases to federal civil servants shortly after Mr Bresser's announcement of restrictions on salary rises.

Even today, Mr Sarney has declared himself determined to press ahead with the grandiose 1,600km north-south railway project costing $2.4bn which a clear consensus in the country regards as an expensive white elephant.

Mr Nobrega will somehow have to squeeze the train into his rice and beans menu.

Furthermore, there is widespread speculation, endorsed by Mr Bresser after his resignation, that despite claims to the contrary Mr Sarney is still determined to fight the decision of congress to reduce his term of office to four years. This would lead to presidential elections this year.

Nevertheless, despite these reservations, the general consensus among businessmen, financiers and economists is that Mr Nobrega's political non-alignment and his undoubted pragmatic intelligence are good news for the country.

Only the political and union left have attacked the choice, though many of them can see advantages in it. The appointment, without prior consulation with the PMDB, will markedly strengthen those factions seeking a total break between the party and the Government.

For Brazil's foreign creditors, Mr Nobrega is unlikely to represent any substantial change from Mr Bresser, and he may possibly be a slightly more collaborative adversary. The resignations of Brazil's chief negotiator Mr Fernao Bracher and, on Tuesday, Mr Fernando Milliet, the central bank president, may mean some old ground will have to be covered again.

But the new minister looks determined to reach a deal – probably incorporating a version of Mexico's "securitisation" bonds – in order to clear the way to restore inflows of vital foreign investment. That means an eventual accommodation with the International Monetary Fund.

With unofficial forecasts for January's inflation at 17 per cent, and a 1988 public sector deficit expected to be way in excess of its 2 per cent of gross domestic product target, both Mr Sarney and Mr Nobrega have little time to restore confidence.

"We have already had too many plans," the new minister told his inaugural press conference. "Now is the time to realise them."

No longer able to blame economic failures on the intransigence or incompetence of PMDB-imposed officials, the buck now stops firmly with Mr Sarney and his nominee.

Their agreed policy of fighting inflation with government austerity has been on the books for two years. It has yet to be translated into substantive action.

Tokyo surges after fund plan dropped

Continued from Page 1

valued in the so-called Tokkin investment funds, which are designed for companies which want to use surplus cash for short-term investments in the securities markets.

Life assurance companies which operate Tokkin funds are to be allowed to value them in the current fiscal year to March on the basis of the purchase cost of the securities in them. This means the life companies will not have to declare and, in many instances, realise the substantial losses suffered by their funds since the market crash in October.

Recently, life assurers and other Tokkin fund managers have been among the main sellers on the Tokyo market as they anticipated having to meet investor demands for liquidation of their funds.

The decision represents a surprising reversal of a guideline introduced early last year requiring them to use either cost or market value, whichever was the lower.

The level of investment in Tokkin funds has risen dramatically in the past two years, as both insurance and industrial companies became more interested in investing in the stock market.

Many industrial companies sought quick profits from aggressive stock market investment by Tokkin funds as a way of offsetting weakness in their operations, a practice that came to be known as Zaitech, or financial engineering.

By late last year, the total amount invested in Tokkin funds had exceeded Y30,000bn ($234.7bn), up more than 70 per cent from a year earlier, and Tokkin were a major force in the Japanese stock market.

In the aftermath of the crash, most funds have been sitting on substantial paper losses, variously estimated by Tokyo analysts at 5 per cent to 20 per cent of asset value.

Under the ministry's 1987 guidelines, those losses would have had to be declared. In addition, as Tokkin funds are usually liquidated at the end of each fiscal year, in many cases the losses would be realised.

Analysts said yesterday that Tokkin fund managers feared that many investors would close their funds after these reverses rather than renew them, and so had begun to sell shares heavily in anticipation of a high level of redemption demands in March.

The ministry was also under pressure from the public to do something to bolster the stock market. Shares of Nippon Telegraph and Telephone and Japan Air Lines had slipped below the prices at which the Ministry had sold them to the public only a few weeks ago, causing widespread unhappiness among individual investors.

In addition, the ministry is counting on further substantial proceeds from issuing more NTT shares this year to help meet the Government's budget commitments, so it wants a buoyant stock market.

World Weather

Daf's UK truck plants 'profitable'

BY JOHN GRIFFITHS IN LONDON

THE FORMER UK state-owned trucks and vans businesses taken over by DAF of Holland last April have been profitable from the start, Mr Aart van der Padt, chairman of DAF's management board, said yesterday.

Leyland Trucks and Freight Rover had contributed to a net profit for DAF BV of more than Fl 60m ($33m) in the year just ended, compared with Fl 33m in 1986, said Mr van der Padt – although he refused to provide further details.

Some 300 out of 700 Leyland jobs originally planned to have been lost as a consequence of the takeover had also been saved as a result of higher sales and production from the UK plants of Leyland DAF, the UK subsidiary formed as a result of the takeover, Mr van der Padt said.

But talks on the possible supply to Paccar, the US heavy truck maker which had also sought to take over Leyland, of UK-built Roadrunner medium trucks for sale in North America had been shelved for the forseeable future because of the collapse of the dollar.

In August, Mr van der Padt had suggested that a deal with Paccar could lead to sales of up to 3,000 Roadrunners a year.

DAF disclosed a jump in production at Leyland last year of nearly 50 per cent, to 12,000 units from 8,140 in 1986. It expects to produce 14,000 trucks in the UK this year, although this will still leave about half the Leyland plant's capacity unused.

Output at DAF's Eindhoven plant rose to 17,917 units last year from 15,900. DAF is forecasting truck production this year at 32,000 units. In addition, Freight Rover vans produced a record 20,000 units last year.

Mr George Simpson, Leyland DAF's managing director, said this represents a single-shift production ceiling for Freight Rover's Birmingham plant.

The company said that development of a replacement is proceeding, and that it is still looking for a partner to share the £75m cost.

While not giving precise profit figures, DAF said 1987 sales rose to Fl 3.8bn last year from Fl 2.34bn in 1986.

INTERNATIONAL APPOINTMENTS

New managing director for Westpac Banking

THE LARGEST banking group in Australia, Westpac Banking, has appointed a new managing director from the start of this year.

He is Mr Stuart Fowler, 57, who has succeeded Mr Robert White on his retirement as chief executive after holding the position for 10 years. Mr Fowler was previously chief general manager, retail financial services.

This ends speculation about a replacement for Mr White, who has relinquished this post more than a year later than originally intended at the age of 64. He will continue to serve as a director of the bank, which was formed in 1982 from the merger of the Bank of New South Wales (Australia's oldest company founded in 1817) with the smaller Commercial Bank of Australia.

Under Mr White's leadership, Westpac has enjoyed strong assets and profits growth, including international expansion. He joined the Bank of New South Wales in 1940 as a junior clerk.

Mr Fowler began his employment with the bank in 1949 in Western Australia, holding several positions in that state before being appointed to London in 1965. He assumed control of international business operations in New Zealand in 1964, but returned to the London office in 1969 where he became manager in 1974.

Following his return to Sydney in 1975, Mr Fowler held executive posts in the international division. In 1981, he became general manager, international business, responsible for all banking operations outside Australia. He moved to the position of chief general manager, corporate and international, in 1982, and switched to the retail financial services post in 1986.

He has been an active member of Australian Business Co-operation committees, and is a former chairman of the Asian Bankers' Association.

Changes at Chicago Pacific

SEVERAL top personnel changes have been made within the home products concern Chicago Pacific, the successor in 1984 to the Chicago, Rock Island and Pacific Railroad Company. The latter had completed a four-year liquidation process under a bankruptcy court order, emerging as a cash-rich virtual shell.

With Mr Harvey Kapnick, former chairman and chief executive (CEO) of accountants Arthur Andersen, elected chairman, president and CEO of Chicago Pacific, and with credit facilities available, it then went on the acquisition trail.

A bid for US conglomerate Textron in October, 1984, was repulsed, but it was successful with an offer for Hoover, of the US, in late-1985, and combined with a takeover of the West German-based Rowenta the next year, has become a major force in consumer electrical appliances. It has also purchased three quality furniture makers.

Mr Frank E. Vaughn has now been elected an executive vice-president of Chicago Pacific and president of its Appliance Group, which includes The Hoover Co., Ohio; Hoover Plc, South Wales; Hoover Europe, London; Hoover Australia; and Rowenta Group, West Germany. He was executive vice-president for the Eastern Region of Hoover.

Mr Robert J. Elsaesser has been made president of The Hoover Co., and will be responsible for the Hoover operations in North America and Australia. He was executive vice-president.

These appointments are in conjunction with the retirement of Mr Merle Rawson, who had been chairman and president of The Hoover Co. since 1974.

Mr Kapnick said: "Under Merle Rawson's 13 years as chairman and CEO, the company has grown significantly and been modernised. It is a fitting tribute that in his final year, Hoover operations worldwide will report record sales and profits."

Mr John Pastrone has been named an executive vice-president of Chicago Pacific and president of its Furniture Group.

Finland's UBF bank names future chief

By Olli Virtanen in Helsinki

UNION BANK of Finland, one of Finland's two leading commercial banks, has appointed the chief general manager, Mr Ahti Hirvonen (aged 56), chairman and chief executive officer as of January 1, 1989.

He will succeed Mr Mika Tiivola (65), who retires at the end of this year, ten months earlier than planned. Mr Tiivola was due to retire about a year ago, but was asked to stay on for another two years in the midst of the takeover of the Bank of Helsinki and rapid changes in Finland's financial markets. The transition, according to Mr Tiivola, has been smoother than expected. Hence, the earlier retirement move.

Mr Hirvonen is a veteran at UBF. He became a board director in 1971 and chief general manager in 1983. His former position as chief operating officer will be taken by Mr Kurt Stenwall (aged 55), currently deputy chief general manager.

Mr Bjorn Wahlroos (35), a former economics professor, will be the next deputy chief general manager. He joined the bank's board of directors in 1985 as the youngest member ever.

Responsibility for Xerox international sector reassigned

XEROX, the diversified US group with principal business in reprographics and financial services, has announced the retirement of its international operations chief, with effect from January 4, and the reassignment of his responsibilities, reports Reuter.

Mr Robert F. Reiser, a group vice-president and also president, international operations, has left to become a senior lecturer in business policy at Babson College, in Wellesley, Massachusetts. He is, however, continuing his association with Xerox as a consultant.

The functions which reported to Mr Reiser have become the responsibility of two executives, who will report to Mr Paul A. Allaire, the president. Responsibility for China Development and South Pacific Region have shifted to Mr Roland E. Magnin, who remains managing director of Rank Xerox Ltd.

Mr Bernard Fournier, general manager of Rank Xerox France, has become president of a new unit, Americas Operations. His successor is Mr Olivier Groues, who was director, business products division, of Rank Xerox.

Americas Operations' responsibilities include Xerox do Brasil, Xerox Canada, Xerox Mexicana, and regional operations mainly in South and Central American and Caribbean countries.

CBOT appoints its first woman public director

THE CHICAGO Board of Trade has appointed Ms Dari E. Kleinbach to a three-year term as a public director, a position she will assume on January 25.

The first woman to be made a public director at the CBOT, Ms Kleinbach will join two current CBOT public directors: Mr John P. Gould, dean and distinguished service professor of economics, University of Chicago; and Mr Thomas V. King, chairman and chief executive officer of Seay & Thomas, a commercial property company.

Ms Kleinbach has been activ in several agricultural organisa tions and committees, includin the Oregon Wheat Grower League, National Association o Wheat Growers, Agricultura Advisory Committee of the Com modity Futures Trading Com mission, and Agricultural Advi sory Committee of the CBOT.

Previously, she was a regis tered commodity representativ in sales and marketing for Geld ermann and Co. Her professiona background also includes teach ing, research and counselling.

Accountancy Appointments

Finance Director (Designate)

c. £55,000 + car — City

Our client is a well established and progressive firm of international metal merchants and brokers. Part of a major US Group, the company has a reputation for excellence of service and its success can be attributed to the calibre and professionalism of its staff. Wishing to take advantage of these strengths the company is committed to the development of its market share and the strategic expansion of its client and business base.

Reporting to the Chairman, the Finance Director (Designate), as a member of the senior management team will have full responsibility for the control of the company's financial and treasury operations. In addition to leading a team of staff, strong emphasis is placed on the provision of management information, the control of foreign exchange exposure, fund and cash management as well as legal and compliance matters.

You will be a qualified accountant in your late 20's/early 30's preferably with several years commercial experience, ideally gained in an international broking or commodity trading environment. Alternatively you should be able to show evidence of a strong interest in and understanding of City markets and treasury operations. For success in this role you will require a strong analytical approach to business issues, good man management abilities and above all well developed communication skills to liaise effectively with external advisors and regulatory bodies.

Please reply in confidence, giving concise career, personal and salary details to:
Judith Richardson, Ref. ER 977,
Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Divisional Finance Director

£35,000 plus car and executive benefits — North Midlands

Our Client is the Distribution Division of a major UK plc, one of the most successful trading groups in its sector with turnover in excess of £150 m. The Division is the fastest growing part of this highly decentralised group and comprises twelve profit centres each with a qualified accountant locally.

The Finance Director's role is particularly commercial in that it involves continuing negotiations with major customers on a programmed basis.

Candidates will be qualified accountants, probably aged mid 30's with several years' financial management experience in a competitive trading organisation. You will combine a practical approach with high profile credibility. Exceptional energy will be needed as the operations are spread throughout the UK.

(Reference B.34020)

Financial Controller

£25,000 plus car and executive benefits — Essex

One of the main operations within the Distribution Division, which includes some manufacturing processes, needs a first rate qualified accountant, probably an ACMA, to be effectively the number two manager on site. Your activities will extend beyond accounting to administration and operational audit. Furthermore it is intended that you will take over general staff responsibility as soon as possible.

You will have a thorough understanding of costing and stock management, combined with a track record of man-management experience in a similar organisation.

(Reference B 34021)

If you consider that you meet the requirements for either of these positions, please write, quoting the appropriate reference number and enclosing full details including current salary to Nigel Bates FCA.

MSL International

MSL International (UK) Ltd,
52 Grosvenor Gardens,
London SW1W 0AW.
Offices in Europe, the Americas, Australasia and Asia Pacific

SENIOR FINANCE MANAGER

South Wales — Package c£25,000

Our client is a young biotechnology company which has already established proven products. The company has experienced significant growth since its inception, and expects that this expansion will be sustained as new products and services are developed.

A senior finance manager is now sought to take control of the finance and administration of the company. Reporting to the managing director, the finance manager will, together with a small finance department, assume responsibility for the financial affairs of the company together with the role of company secretary. In addition to the preparation of management and financial accounts, the finance manager will be involved in the development of the company's plans, forecasts and budgets, and in the financial and economic appraisals of new business opportunities. The finance manager will also be expected to advise the managing director on matters of resource management, particularly with respect to the treasury function.

Candidates should be qualified accountants with a minimum of five years' relevant experience. Familiarity with microcomputer systems is also desirable. The successful candidate is also likely to have an interest in scientific matters, and to be capable of working as part of a multi disciplinary team with the common aim of taking the company forward.

The company is situated in a pleasant location with good access to leisure, cultural and other amenities. The remuneration package is negotiable.

Applications, in confidence, should be marked for the attention of Andree McNamara, quoting reference: B0448.

KPMG Peat Marwick McLintock
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9 Creed Lane, London EC4V 5BR

Already a significant force in the market, Legal & General has recently embarked on a major expansion of its Unit Trust operation.

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A competitiveness that's as dependent on maintaining strict financial control over all aspects of the business as it is upon the excellence of the products themselves.

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Unit Trusts — City-based

c£25,000 package plus car

That's why the Financial Controller, who must be a qualified accountant with unit trust experience, will need to maintain a complete financial record of expenses, monitor them – and institute corrective action where necessary.

On the profitability side, the key responsibilities will include VAT optimisation, maximising interest on the general bank account and ensuring the best possible returns on the day-to-day running of the operation.

In addition, financial information must be provided, systems reviewed, the financial aspects of new internal and external business operations evaluated, and a system for monitoring as well as reviewing money outstanding on unit trust orders established, and controlled.

Certainly, it adds up to a broad range of responsibilities, and ones that, in addition to putting you at the very core of our operations, will necessitate regular visits to head office financial departments, external administrators, trustees and the sales force.

Hence the c£25,000 package – which will include financial sector benefits – plus a car.

For immediate consideration, please send your career details to:
Doug Wilkins, Personnel Manager, Legal & General Assurance Society Ltd., 2 Montefiore Road, Hove, East Sussex BN3 1SE. ***Interviews will be held in London.***

Legal & General

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QUALIFIED ACCOUNTANTS

Kent — to £30K+ benefits

Hunter Saphir PLC has recently received a full listing on the Stock Exchange. The Group has developed rapidly from a fresh produce supplier to the major multiples through expansion into contract distribution and prepared foods. Future growth will come both from within the existing business and through acquisitions.

The rapid growth of the Hunter Saphir Group has created a demand for experienced, qualified accountants to fill the following positions:

Group Accountant

Reporting to the Group Chief Accountant, you will be responsible for implementing a standard group reporting system and ensuring the adequacy of the financial reporting of the decentralised operating units; this requires regular direct contacts with these units. You will also be involved in the financial analysis of possible future acquisitions and their assimilation into the Group. Both professional and operational experience is required, including experience of computerised accounting.

Financial Controller

Reporting to the Unit Director, you will be responsible for all accounting and reporting as well as contributing a focused view on the total business performance of the principle operating unit of Hunter Produce Limited, whose business is the procurement and marketing of fresh produce with an annual turnover of £50m. As you will be leading a sizeable finance function, accounting systems experience and good man-management skills will be essential.

Probably aged 25-32, for both posts you will require personal qualities of initiative, commitment, energy and tenacity. Success in either will lead to career development opportunities throughout the Hunter Saphir Group. The benefits are those to be expected from a rapidly growing progressive company, and include a quality car, and, where appropriate, help with relocation to this most attractive Kent location.

Please write, with concise curriculum vitae, detailing your main achievements to date, and specifying for which opportunity you wish to be considered, to Tim Ovington, Group Personnel Manager, Hunter Saphir PLC, Eurocentre, Whitstable Road, Faversham, Kent ME13 8BQ.

HUNTER SAPHIR PLC

M4 CORRIDOR

Our client, one of the world's most rapidly growing and respected computer leasing companies, has recently merged with a major multinational holding company and is a major force within the computer market place. They need to recruit two accounting professionals to take on high profile roles within their organisation to aid and maintain growth and success.

UK LEASE ACCOUNTING MANAGER — to £22K + car + benefits

Reporting to the UK Controller you will be responsible for a small but growing department handling all UK and some foreign leases. Duties also include establishment of a monthly reporting system and procedure to the parent company in the US, also to maintain and *update the inhouse management information systems.*

You will preferably be qualified, under 30, computer literate, able to use PC's, a self starter and have had some supervisory and leasing exposure.

OPERATIONS ACCOUNTANT — to £15K + car + benefits

Your duties will be to ensure timely running of sales and purchase ledgers proper accounting for cash and to assist in computer implementation and carry out investigations into figures and ad hoc projects.

The ideal candidate will be mid 20's, part qualified, with supervisory experience. Exposure to US style of reporting would be advantageous.

IN RETURN the company can offer excellent career prospects brought on by both internal and acquisition led growth.

If you are interested in either of the above positions please telephone Brett Melbourne on Windsor (0753) 854256 or send your c.v. to him at the address below.

Management Personnel
Recruitment Selection & Search
51 High Street, Eton, Windsor, BERKS SL4 6BL

Group Finance Director

to £40,000+Car — South London

Our client, a £ multi-million international Group, has grown to become market leader in its field of activity. A planned expansion programme involving a number of acquisitions has created considerable management restructuring, including the appointment of a Group Finance Director.

Working closely with the Chief Executive, you will be responsible for the financial management of each major division within the Group. This will require the maintenance of tight controls and close monitoring, due to the provision of a fast-moving service within the UK and overseas. Large sums are involved, particularly relating to exports – and there is no margin for error.

This is a very responsible Board appointment requiring firm managerial qualities and high professional standards. You will be expected to contribute to the overall business management of the Group.

We are looking for a qualified accountant aged 33-40, with a proven track record in financial management, preferably, although not essentially, in a fast moving business environment.

Please write in strict confidence, enclosing CV and quoting ref. 414 to C. J. Hooker, F.C.A.

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Management & Recruitment Consultants
19 Britton Street, London EC1M 5NQ.
Tel: (01) 250 0003.

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A highly progressive, medium London Chartered Accountants aim to appoint a Managing Director of their Consultancy division. Qualification, professional background and successful record in this area are expected. Age 30-38. Prime responsibilities to be client relation, business promotion and co-ordination of the existing team. The service offered range from I.T. to Marketing and Human Resourcing.

Mike Morell, Meridian Rec Cons, 35 Museum St., WC1A 1JT 255-1555

Appointments Wanted

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Thriving Southern-based advertising agency requires a fully-qualified accountant, with some years' business experience, to take on all responsibility for financial and management accounting, plus co. secretarial function. Package c.£25k. Negotiable.

Write in first instance to Box A0778, Financial Times, 10 Cannon Street, London EC4P 4BY

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A MEMBER OF BLUE ARROW PLC

Internal Audit

Consumer Goods, West of London, — c£20,000, Car

Our client, the UK subsidiary of a leading US multinational whose flagship brand is an acknowledged world leader, seeks a commercially-aware Audit Manager to maintain and enhance the efficiency and effectiveness of all of their business control systems. Reporting to the Managing Director, you will undertake audits and projects that support line management in improving controls and recommending improvements within both financial and operating systems. The ideal candidate will be in his/her mid to late 20's, qualified ACCA/ACA, and with a minimum of two years' commercial auditing experience that must include operations audit. This highly visible role requires a determined individual who can display effective interpersonal and organisational skills to achieve maximum results. The position offers excellent opportunities for personal development within an influential and dynamic organisation. *Generous benefits, including relocation assistance, are offered.*

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History form to, *B.E. Boylan, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-408 2766, quoting Ref: 838/FT.*

Managing Change in International Banking

Financial Controller

Investment Bank — **c £70,000 + Benefits**

Our client is a leading international bank with offices in all major financial centres. It is committed to the global provision of superior banking products and services and the continued growth of its investment banking activities.

As a key member of the Executive Team, the Financial Controller will lead the finance division of the Investment bank in the further development of the accounting function. The successful candidate will be required to lead a substantial finance team and enhance management information systems, with the emphasis on meeting clear commercial objectives through effective financial control.

This is a demanding position requiring a dynamic qualified accountant who can demonstrate a successful track record of implementing change in a securities trading environment. Candidates are likely to be aged 32-42.

Interested applicants should write enclosing a comprehensive curriculum vitae and daytime telephone number to Jon Anderson ACMA, Executive Division, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 479.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Manager – Treasury Operations

Central London — **c £25,000 + Car**

Our client is a prestigious British Group with widespread international interests and a record of consistent growth.

The Group's manufacturing activities are at the forefront of modern technology and turnover exceeds £400 million.

A Treasury Operations Manager is sought to join a small highly professional team based at the Company's Headquarters in Central London. The principal duties will encompass day-to-day management of the Group's short-term borrowing requirements, investment of cash surpluses and foreign exchange management. He will have responsibility for the further development of the *existing computer-based systems for* treasury management and participate in the general liaison with the Group's bankers. In due course the successful candidate is likely to gain exposure to other areas such as trade finance and the capital markets.

Applications are invited from qualified accountants, aged up to 30, who have spent at least one year in Treasury, including experience in a dealing environment.

Prospects of promotion both within the Department and to a senior line role in one of the Divisions are excellent.

If you are excited by the challenge of working in a very progressive and innovative treasury environment, then write enclosing a comprehensive CV and daytime telephone number quoting ref. 477 to Tony Martin, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH or alternatively, to find out more telephone him on 01-831 2000.

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Yorkshire — **Attractive salary plus car**

Coats Viyella PLC is the largest textile group in Europe with a turnover and profit in excess of £1.8 billion and £180 million respectively.

Reporting to the Divisional Financial Director, the Financial Controller will play a key role in the installation of new accounting systems and the financial administration of several manufacturing sites based in the Yorkshire area, a role fundamental to their future development.

Applications are invited from qualified accountants who have a track record of achievement, preferably within a manufacturing based environment, and have the capacity to develop at the pace being generated within the organisation.

The terms and conditions of employment will reflect the importance of this post and will include the provision of a company car.

For further details, please contact:
Accountancy Personnel,
9 East Parade,
Leeds LS1 2AL.
Telephone: 0532 438384

ngt
A CAPARO Group Company

PRODUCT/MANAGEMENT ACCOUNTANT

Tredegar, Gwent — **£Neg+Bonus**

Natural Gas Tubes Ltd is a highly successful and profitable Private company manufacturing steel tubes and is undergoing a major expansion.

They require a qualified Accountant whose initial responsibilities will be to work closely with the Project Manager on all aspects of the expansion and subsequently for the development of effective cost control procedures and management information systems, Budgets, forecasts etc, reporting to the Financial Director.

Opportunities for advancement are excellent in this expanding Group.

For further details, please contact:
Accountancy Personnel,
9-10 Windsor Place,
2nd Floor, Summit House,
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Telephone: 0222 222 500

CONFIDENTIAL

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1988 offers enormous potential for our client, a progressive industrial based company presently diversifying into financial services. This highly acquisitive plc possesses a dynamic management team to support its expansion drive.

The company's aspirations necessitate the creation of a new managerial role with full responsibility for innovation and standardisation of group systems. The post involves a wide variety of investigations including many relating to acquisitions.

Ideal opportunity for an energetic self starter who will thrive in a challenging environment.

For further details, please contact:
Accountancy Personnel,
New Oxford House,
16 Waterloo Street,
Birmingham B2 5UG.
Telephone: 021 643 6201

Financial Controller

Advanced Engineering Products

c£22,000, Car

North West

Without doubt the company is at the forefront of its market sector and with systems at all levels (IBM System 38) the envy of manufacturing organisations many times its size.

The position of Financial Controller in the main operating division of this £20m turnover company is of much import, carrying responsibility for the day to day accounting, financial planning and the development of management information systems.

It requires a qualified accountant, probably nearer 30 than 40, with in-depth management accounting experience gained in an environment operating sophisticated computer based systems.

The training and motivation of a small support team is a further key element in a role which will become increasingly influential in the broader aspects of financial management.

Career opportunities are excellent in a company which is at an exciting stage in its development.

Male or female candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Barnett House, 53 Fountain Street, Manchester, M2 2AN. Telephone: 061 228 6919 quoting reference: FT(26)

Howgate Sable

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Ideally, aged in their thirties, candidates will be graduate ACA or ACMA with well developed skills in financial planning and controls in a manufacturing environment. Experience of computer systems will be essential.

The remuneration package includes excellent benefits, a company car and relocation assistance.

Interested candidates should apply in writing with career details to **date to: Derek R Snowdon, Managing Director, Plyglass Limited, 40 George Street, London W1H 5RE.**

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Duties will include:-

- Direct supervision of small close-knit accounting department ensuring monthly management reports are prepared in a timely and accurate manner.
- Assisting in development and implementation of improved computer system within the U.K. subsidiary and European branches of a U.S. affiliate.
- Responsibility for reporting-on and monitoring results of 'Continental International' operations in France, Germany, Italy, Holland and Belgium, including limited travel to these countries.

Applicants for this responsible position should:-

- be recently qualified chartered accountants.
- be aged 24 to 30 years
- have insurance industry experience gained in either an audit environment or with a Property/Casualty Insurance Company.

Applicants should write in strict confidence with a full C.V. to:-
**Ms L Dawson, Manager - Personnel,
The Continental Insurance Co. (Europe) Ltd,
Continental House, 77 Gracechurch Street,
London EC3V 0DL**

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Applications are invited for two research appointments in the Institute. Both will involve working on the Institute's main programmes of labour market research funded by the Manpower Services Commission and Department of Employment. Candidates should have a good degree in economics, preferably at postgraduate level, and a strong interest in applied research in the labour market field. For the senior appointment, substantial research experience in labour/industrial economics is required. The appointment will be for up to two years in the first instance, commencing as soon as possible. Salary will be within the Research Ranges 1B: £8185 - £11015 or 1A: £9305 - £14825, depending on age and experience, for the research associate/fellow and range II: £14245 - £18210, for the senior research fellow. Those who hold academic appointments at other institutions but seek a period of secondment are encouraged to apply. As a matter of general policy the Institute is willing to consider applications from those wishing to work part-time. Those wishing to discuss the appointment informally are invited to contact Professor Robert Lindley on 0203 523503.

Application forms from the Registrar, University of Warwick, Coventry CV4 7AL (0203 523627) quoting Ref No 20/3A/87/M (Please mark clearly on envelope). Closing date 30 January 1988.

AN EQUAL OPPORTUNITIES EMPLOYER

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Chief Accountant
Spain-£'s excellent

Europe's leading time-share developer, subsidiary of Barratt Developments PLC, requires a Chief Accountant for their expanding Spanish subsidiary located in Marbella.

Candidates suitably qualified and experienced up to the age of 35, must be fluent in Spanish and familiar with Spanish accounting tax and legal proceedures.

This is a long-term position and candidates must therefore expect to make their home in Spain.

A renumeration package will be offered appropriate to the position.

Please write enclosing C.V. indicating current salary to: **R.J. Bratt, Financial Director, Barratt Multi-Ownership and Hotels Ltd, 6 Half Moon Street, London W1Y 7RA**

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A MEMBER OF BLUE ARROW PLC

Financial Controller

South West of England, c £25,000, Car

The company is a leading innovator in the field of electronic instruments. The post has been newly created in line with current expansion and will be based at the manufacturing centre in South Devon, reporting to the Finance Director in the USA. The role demands a person who is fully equipped to take on financial control in a dynamic high technology environment and who would be strongly motivated by the growth prospects of the company. Familiarity with Pegasus Software and an understanding of the financial practices of the electronics industry would be desirable but not essential, as the key attribute is ability to perform in corporate financial management. This is a first class opportunity in an attractive location. Career prospects within this expanding group are excellent.

M. Drake, Hoggett Bowers plc, *30 Queen Square,*
BRISTOL, *BS1 4ND,* 0272-298433. *Ref: D14001/FT.*

Ausgezeichnete Aufstiegsmöglichkeiten! Management Accountant

Stuttgart, West Germany, DM 75000

This new position represents an excellent career opportunity for a young ambitious accountant. The client, a major international packaging and printing group, wishes to recruit a Management Accountant for their German subsidiary. Reporting to the *Finance and Administration Controller, your key task will be to develop* management information and reporting systems for a multi-site operation with a sales production value in excess of DM60 million. A qualified accountant with at least two years industrial accounting experience you will need an aptitude to learn conversational German, backed by a minimum of 'A' level German. The Group view the vacancy as a development role for the successful applicant with return to the UK, and a senior finance position, after several successful years abroad. The attractive benefits package includes full relocation assistance.

K. Townrow, Hoggett Bowers plc, *30 Queen Square,*
BRISTOL, *BS1 4ND,* 0272-298433. *Ref: D11033/FT.*

Management Accountant

Hertfordshire, Attractive Package

Part of F.H. Tomkins plc, this well-established company is eager for further substantial growth. The Management Accountant will report directly to the Finance Director and will have a key role in the Company's future. Probably aged 25-30, appropriately qualified and from a manufacturing background, you will have hands-on involvement with all aspects of the accounting function. Your responsibilities will include the preparation of monthly and year end accounts, cash flow projections, budgeting and costing. In addition, you will be comfortable in a computerised environment and familiar with computer-based manufacturing systems. For an individual who has the depth of experience required and can combine these talents with an imaginative and proactive approach to business, this is an excellent opportunity to become committed to a company which has exciting potential. The rewards and opportunity to develop personally match the challenge.

R.J. Arnold, Hoggett Bowers plc, *13 Frederick Road, Edgbaston,*
BIRMINGHAM, *B15 1JD,* 021-455 7575. *Ref: B17024/FT.*

Financial and Management Reporting

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday January 7 1988

AT&T to take 20% stake in top US workstation maker

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN TELEPHONE & Telegraph said yesterday that it would take a stake of 20 per cent in Sun Microsystems, the leading independent US manufacturer of high-technology computer workstations.

The deal could give both companies a major boost in the development of the next generation of micro and minicomputers for scientific, engineering and advanced business applications, as well as helping to confirm AT&T's Unix operating system as the industry standard for these high-performance machines.

Under yesterday's agreement, AT&T will buy newly-issued shares equivalent to 15 per cent of Sun's outstanding common stock directly from the company over the next three years. The timing of the share issues will be at Sun's discretion and AT&T will pay 25 per cent above the price prevailing in the stockmarket for these shares.

In addition the deal allows AT&T to buy up to 5 per cent of Sun's stock in the open market and to appoint a director to the Sun board. Sun's shares, which trade on the Nasdaq over-the-counter market, jumped $3, or 9 per cent, yesterday morning to $37½. This price put a value of $1.2bn on the whole company, and implied that AT&T would spend around $300m on its investment in Sun.

The financial link announced yesterday follows a wide-ranging technology-sharing agreement between the two companies last October. Since then they have been collaborating closely in developing a range of computers around a powerful new microprocessor chip developed by Sun using a design technique known as reduced instruction set computer technology or RISC.

In conjunction with AT&T's Unix software the RISC technology is widely expected to transform the computer industry over the next few years, leading to a deep cut in the cost of computing power for mid-range minicomputer systems.

Sun recently announced its first computer using the new chip, the Sun-4 engineering workstation. This will sell for around $40,000 and is claimed to have as much computing power as minicomputers costing 10 times as much.

Access to AT&T's enormous financial and scientific resources, as well as its facilities for the mass production of computer chips, is expected to give Sun an advantage in developing RISC technology and the two companies hope to turn Sun's RISC chip into an industry standard which will be used by other computer companies.

For AT&T the investment in Sun is the latest step in a determined effort to turn itself into a major manufacturer of computer, as well as telecommunications, equipment. Thus far, AT&T's computer hardware products have met with little success.

Bayer studies Roche bid

BY OUR FINANCIAL STAFF

BAYER, the West German chemical group, is studying the hostile $4.2bn bid by F. Hoffmann-La Roche of Switzerland for Sterling Drug of the US, but said it was too soon to say whether it would make a counterbid.

The company said yesterday it was interested in the fate of Sterling because of the close relationship between Bayer and the US group. Sterling has the US rights to Bayer's trademark and emblem and to market Bayer products.

Bayer paid Sterling $25m in 1986 to buy back the US rights to the use of the Bayer trademark for industrial products. Sterling kept the trademark rights to the pharmaceuticals activities.

Sterling's shares were trading at $75¾ at lunchtime yesterday, up 1¼.

Judy Dempsey visits a small Austrian knitwear group that has caught the imagination of the fashion world

Cottage industry finds tailored success

AS THE Austrian media continues to focus on the radical restructuring plans within the troubled state-run industries, it is easy to overlook the broad mass of companies scattered throughout the country.

These are mostly a breed apart, and form the real backbone of the Austrian economy. Some rarely advertise, preferring instead to keep a low profile. Yet they have a considerable impact on Austria's export performance.

The small knitwear company belonging to the Josef Hofer family is a case in point. Situated in the little town of St Johann im Pongau about 50km south of Salzburg and flanked by high mountains, this little cottage industry has captured the imagination not only of the Italians and the West Germans but also the ever fashion-conscious French market.

The company makes four clothing items: socks, gloves, children's wear and jackets. The jackets are the key to Hofer's success. Although the clothes retain a traditional Austrian design – practical, sensibly cut, short on elegance but obviously suited to a cold climate – the colours and the simplicity of the jackets have earned Hofer a place in Vogue, the doyen of fashion magazines.

That cannot be bad for a little company which does not produce a catalogue, carries out no promotion work and has no budget for marketing or advertising.

Mr Harald Hofer, the 26-year-old grandson who now runs the business, explained: "We do most of our selling through contacts and connections and through a few agents."

The company was founded in 1921 by Mr Josef Hofer, the grandfather. He started with two people, working on hand looms and providing warm, traditionally-designed clothes for the small farming community, so typical of this part of Austria.

The business expanded slowly and today it employs more than 40. The employees, mostly women, sit in two large workshops sewing and weaving. There is no automation. The only machinery consists of the rinsing and colour-dying machines.

The extraordinary thing about the company is that it is able to export at all, given its size and marketing strategy, which is practically non-existent.

For the best part of the post-war period, the Hofer family concentrated on the domestic market. Then, about severi years, ago, it began looking further afield to its neighbours. Today, 75 per cent of its goods are earmarked for the export market. "What is also interesting is that the domestic market is growing too," Mr Hofer said.

Turnover for the past couple of years has reached more than Sch12m ($1.1m). Annual net profits exceeded Sch1m. Turnover has increased largely due to entry into three important markets – France, the fastest growing, Italy and West Germany.

Mr Hofer is hoping for more orders from Britain and possibly Japan. "But that is very slow," he explained in his small sparsely-decorated office just above the work shops. The company considered the US at one stage, but Mr Hofer said it would have been too difficult to find a niche in that very competitive market. For the moment, he is more intent on consolidating the European markets.

"We have stability now. I am not very keen on risk. We can fulfill all the orders and even cope with unexpected orders," he said. Many orders come via word of mouth or when the company sends its agents to the annual European fairs.

But what makes the Hofer clothes different from so many of the other Austrian companies which specialise in trachten – the traditional Austrian costume which, unlike other national costumes, is part of the daily attire of people living in the mountain towns and villages? One of the hallmarks of the company's clothes is the colour, which can easily compete with the Italian penchant for brightness and natural colours.

Mr Hofer, a cautious, calm manager, says the success of the colours, ranging from a wonderful bright sky blue to a warm raspberry, lies in the fact that the minimum of technology and synthetic fibres are used in the production of the knitwear.

"By and large all the products are pure wool," he explained. Indeed, local sheep farmers still come into Hofer's backyard to sell their wool directly to the company. "Each jacket consists of one and a half kilos of wool," the grandson said.

The family see little prospect of change. Mr Hofer has no big investment plans. All he wants to do in the short term is to reduce energy costs which are running at Sch20,000 a quarter ($1,700) and have all the sewing done on the premises. At the moment, some of the employees work from home.

He also intends to bring out a catalogue in 1988. But he has no intention of taking risks in finding new agents, adopting a more aggressive-style marketing strategy or attempting to capture a market in London. Nor does he intend to expand the company.

GM in talks on sale of Venezuelan operations

BY JOE MANN IN CARACAS

THE VENEZUELAN subsidiary of General Motors is discussing the sale of part of its production facilities to the Mendoza group, an important Venezuelan industrial organisation with investments in vehicle assembly, paper, cement, mining and other areas.

General Motors de Venezuela, a wholly owned subsidiary of the US automotive giant, is understood to want to sell up to 51 per cent of its Venezuelan car and truck assembly operations.

The US company also has investments in the aluminium sector in partnership with the Venezuelan government and private companies. It plans to continue with a major presence in Venezuela after selling part of its auto assembly holdings.

GM is the largest investor in the Venezuelan automotive sector and one of the country's most important foreign investors. The company began assembly operations in Venezuela in the 1940s and is today the country's largest vehicle asembler.

For years, GM has been Venezuela's market leader in total units sold. Details on the negotiations were not immediately available, but talks between GM and the Mendoza group began several months ago.

● Abitibi-Price, Canada's largest newsprint producer, is bidding to build a C$400m (US$259m) newsprint mill with annual capacity of 200,000 tonnes in Venezuela and hopes to get the go-ahead later this month, **writes our Montreal Correspondent.**

Abitibi would own 35 per cent and provide technology. The balance of control would be held by the Venezuelan Government.

Bowater Inc, the big US newsprint producer, is Abitibi's main competitor for the project.

Icahn moves against Texaco bid defences

By James Buchan in New York

MR CARL ICAHN, the New York takeover specialist who is chief stockholder in Texaco, is seeking to strip the crippled and bankrupt oil giant of its "poison pill" defences against takeover.

But Mr Icahn said he was not seeking to alter any terms in the complex $5.6bn plan filed by the company last month to satisfy its creditors and emerge from bankruptcy.

Mr Icahn, who owns 12.3 per cent of Texaco, this week asked the court supervising Texaco's bankruptcy proceedings to allow him to file variations to the Texaco plan.

He also proposes a provision that all Texaco directors be elected annually.

UK electrical engineer to merge with Burgess

BY DAVID WALLER IN LONDON

RHP, the UK electrical engineering company which has been undergoing a radical re-structuring, is to merge with the fast-growing Burgess Group to create a new company with a market capitalisation of more than £250m ($457m) and annual sales of £220m.

The deal follows hard on the heels of RHP's sale last month of its traditional bearings business for £73.5m in cash. It takes the form of an agreed share offer for Burgess, also an electrical engineering company, by RHP valuing it at £100m.

The new grouping is likely to assume the Burgess name. Mr Bob Morton, chairman of Burgess, described the transaction yesterday as "a cross between a reverse takeover and a straightforward merger."

Under Mr Morton, Burgess has been turned round from losses in 1983 and 1984 to pre-tax profits of more than £8m last year, with a series of ambitious acquisitions in the US and on the Continent.

He will become deputy-chairman of the new combine with specific responsibility for seeking takeover opportunities. With net cash of £55m following the disposal of the bearings business, the new group expects very shortly to make a substantial acquisition. It is likely to be in the US, which at the moment accounts for 15 to 20 per cent of combined sales.

"We want to expand into the US", Mr Morton said. "We intend to take advantage of the weak dollar to establish ourselves in the enormous US market."

Burgess shares closed up 1p at 265p yesterday, 3p below the value of RHP's offer, having added 36p on Tuesday. RHP's shares rose 3p to 206p.

Lex, Page 12

Pan Am braced for boardroom shakeup

By James Buchan in New York

PAN AM, the troubled US airline group, is scouring US commercial aviation for new senior management as the price it would have to pay for deep cuts in the wages of its airline workers to stave off a liquidity crisis.

Pan Am, which is thought to have lost more than $70m this year, is expected to fire its two top executives, Mr Edward Acker and Mr Martin Shrugue, as early as next week if it can find replacements and win agreement from the union rank-and-file to wage cuts totalling as much as $180m a year.

Among candidates for Mr Acker's job is Mr William Howard, a highly regarded executive who is working with United Airlines pilots in their effort to buy the airline.

Pan Am said late on Tuesday that four of its five main unions had agreed to a three-year package of wage cuts. The Pan Am board, which met on Tuesday, intends "to make changes in senior management of the company following a final labor settlement."

The agreement of the labour force, which union officials say is highly probable, will mark the culmination of a year-long effort by organised labour to oust Mr Acker, 58, who has sold off large parts of the business to cover the airline's losses.

Paul Masson

The illustration accompanying Tuesday's feature on Martell wrongly named Paul Masson Wines as a Seagram-owned brand. Masson was among several brands sold by Seagram in May 1987 to Vintners International, a new company formed by the Seagram wine unit's former president and other investors.

INTERNATIONAL CAPITAL MARKETS & COMPANIES

Ian Rodger on moves to improve the performance of the Tokyo SE

Insurers let off the Tokkin hook

A FEW months ago, *Tokkin* funds were the darlings of the Tokyo stock market, enabling many a corporate treasurer to realise his dream of making handsome profits from surplus funds. But since the market crash in October, they have become *monsters*, threatening corporate profits, life insurance policy dividends, and the stability of the Tokyo stock market itself.

If such a situation had emerged in any of the other leading stock markets in the world, it is a fair bet that the authorities would have shaken their heads over the folly of investors and let things take their course.

In Japan, they do things differently. The Japanese authorities have decided to ease the accounting rules for the Tokkin, which are designed to allow short-term investments in the securities markets. This means that the funds will not now have to report the large paper losses they have suffered since last October's market crash.

The hope is that this will stop the funds' managers from selling substantial quantities of shares and that that in turn will put an end to the stock market's recent lacklustre performance.

Whatever happens, it has certainly punctured the Tokkin funds' glamorous image. Tokkin funds first became popular a few years ago among corporate treasurers seeking ways to invest their rising flow of surplus funds.

The attraction was a technicality: share investments in Tokkin could be held separately from "strategic holdings." Japanese companies commonly have large strategic shareholdings in other companies to cement business relationships.

A related advantage was that the price at which shares were purchased for the Tokkin funds did not have to be applied to the strategic shareholding. If shares had been purchased and added to the strategic holding, then the entire holding would have had to be revalued and capital gains tax paid.

Capital gains

Tokkin became especially popular when the high yen began to hurt the operating profits of industrial companies. Some companies used Tokkin to invest aggressively in the stock market for high profits as a way of offsetting weak operating results – a practice that came to be known as *Zaitech*, or financial engineering.

The feature of the Tokkin regulations which attracted the insurance companies was the potential for large capital gains. Under Japanese law, all capital gains made by insurance companies must be taken to reserves, rather than used for dividend payments. But by using Tokkin funds, the insurance companies have been able to accumulate huge hidden reserves.

Perhaps inevitably, abuses of the Tokkin system soon emerged. Life insurance companies were able to conceal poor investment decisions by reporting holdings of securities at cost rather than at market value. Securities companies, meanwhile, set up quasi-Tokkin funds, illegally offering a guaranteed rate of return to investors.

Early last year, the Ministry of Finance moved to curtail the valuation abuses by requiring life insurance companies to value their Tokkin funds at the lower of cost or market. Initially, this move was well received, but when the stock market plunged in October, the potential negative impact of the tighter requirements began to become clear.

Tokkin managers, fearing a rise in redemptions when fund valuations were made, curtailed their share buying and then began taking advantage of every upward move in the market to realise profits.

Last week, Mr Hajime Hirashima, senior managing director of Nippon Life, Japan's largest life insurance company, warned that the market could fall substantially in the next three months. He said that Tokkin managers would sell stocks to cut their appraisal losses if the market rebounded.

Softer guideline

The new softer MoF guideline applies only to insurance company Tokkin funds in the current year. Industrial companies' Tokkin funds will still have to report on the basis of the lower of cost or market value. However, next fiscal year, they too will be allowed to revert to the cost method.

In a related move to sweeten the market, the ministry said it was considering allowing life insurance companies to invest up to 5 per cent of their assets in Tokkin and fund trusts, compared to the current 3 per cent. The news was largely responsible for the near record 1,215.22 point rise yesterday in the Nikkei average of 225 leading shares.

Among the shares showing the biggest gains were securities' companies and trust banks, which were also those suffering most from the weakness of market activity in recent weeks.

France calm over Giscard bond repayment

BY GEORGE GRAHAM IN PARIS

AFTER ALL the fuss about how the French Government was going to repay its infamous "Giscard bond," the maturity of the issue later this month will be something of a burst balloon.

The French Treasury is certainly not in a hurry to repeat the mistake of linking its borrowings to the price of gold, as Mr Valery Giscard d'Estaing did with the bond named after him when he was Finance Minister in 1973.

But the repayment of the estimated FFr29.7bn ($5.38bn) of the bond which is still in circulation will represent little more than a hiccough in the Treasury's financing programme for 1988 – definitely not enough of a problem for it to take seriously the suggestion of Mr Andre Lajoinie, the Communist candidate for this year's presidential election, that it should refuse to pay up.

"A few years ago the Giscard bond looked like Mount Everest surrounded by the foothills of the Vosges. Now it has been reduced to the size of Mont Blanc and, with the increase in the remainder of the government debt, it is standing in the middle of the Alps, where it doesn't stick out so much," quipped one observer.

In fact, total repayments of maturing government bonds in 1988 will amount to FFr35bn, of which FFr30bn is represented by the Giscard bond – scarcely more than the FFr31bn of maturities in 1987.

The Treasury takes a justifiable pride in the revolution it has wrought over the last few years in the management of the government debt.

With the introduction of a system of regular bond and bill auctions instead of a single annual placement, the concentration on a limited number of highly liquid stocks, and the introduction of a group of 13 primary dealers, the Treasury has equipped itself to cope with the doubling of the government debt in the space of three years.

Officials say that the 9.8 per cent 1996 tap stock, with some FFr43bn outstanding, is the most heavily traded bond in Europe. Liquidity is expected to be further improved by the creation of an inter-dealer broker (IDB) jointly owned by the primary dealers and other IDB projects are under consideration.

For the projected 1988 budget deficit of FFr115bn, the Treasury plans to issue between FFr90bn and FFr110bn of new bonds, more heavily concentrated in the first quarter both because of the repayment of the Giscard bond and because of the usual pattern of government spending.

Auctions on the first Thursday of every month will include at least FFr1bn each of a floating-rate bond – either the 1993 stock indexed on the weekly Treasury bill auction or the 1998 stock indexed on the government bond average yield – and of the existing 14 or 24-year fixed-rate bonds.

The Treasury wants to establish a regular presence at the very long end of the market, even if this has its moments of inconvenience – as in October last year, when it had to pay 11.27 per cent at its scheduled auction for FFr1bn of 25-year bonds.

In odd months the auction will include a new 9.5 per cent 1998 tap stock and in even months a 9.5 per cent 1995 stock, again with a minimum of FFr1bn in each case.

This month, however, the Treasury has returned to its traditional syndication technique to place FFr5bn of the 1998 stock, with Societe Generale acting as lead manager.

The issue will be reserved at first for individual investors, who hold around half of the remaining stock in the maturing Giscard bond and are expected to look for a substitute.

The primary dealers – which include France's big high street banks – have not yet fully developed the mechanisms to place government bonds from the auctions with their private clients, although distribution is said to be improving.

The Treasury believes, in any case, that it is useful to keep open a direct channel for appealing to private investors, as an occasional technique to use alongside its normal auction

Surge in Japanese warrants market

By Our Euromarkets Staff

THE MARKETS for Japanese equity warrants and convertible bonds moved ahead strongly yesterday after the Nikkei average of Japanese shares had achieved its second largest rise ever overnight in Tokyo.

Hectic trading of equity warrants in London took prices as much as 15 per cent higher. Most of the action centred on warrants on blue chip, export-orientated stocks, whose prices have been boosted by the stronger dollar over the last few days.

Warrants in Fujitsu, which had rallied earlier in the week on optimism about prospects for a new computer it is developing, achieved further strong gains. Yesterday they were bid at around 80, against about 64 on Tuesday.

Meanwhile, warrants on shares of Toray, the textiles and chemicals manufacturer, closed at 74 bid, up about 8 points, while those on shares in Daihatsu Motor were up about 7 points at 33½ bid.

Convertibles also saw firm demand with bonds for trust banks registering the most gains. A convertible for Mitsui Trust closed at 138 bid, against 130 at the close on Tuesday.

The Nikkei average had closed in Tokyo at 22,790.50 – 5.63 per cent higher – propelled by news that the Japanese Ministry of Finance was likely to support the market by easing accounting rules for Tokkin special money funds.

Under the MoF's decision, the funds will not now have to accept losses when settling their annual accounts at the end of March by having to mark their holdings of shares to the market price.

Paris to write off FFr3bn of Renault debt

By Paul Betts in Paris

THE FRENCH Government is about to write off FFr3bn ($545m) of Renault's debt as a first instalment in its plan to restructure the state car group's balance sheet.

The write-off will be financed by the Government's privatisation receipts and will help reduce Renault's negative net worth, which stood at FFr16.4bn at the end of 1986.

At the same time, Renault's balance sheet will be bolstered by a return to profit for 1987 after several years of heavy losses. The company now expects to report net profits of between FFr3bn and FFr4bn for last year.

Mr Paul Percie du Sert, Renault's new commercial director and former financial director, confirmed yesterday that all the company's industrial and commercial operations were now profitable. He added that Renault's foreign operations were also running at a profit.

Renault saw new French registrations increase by 10 per cent last year and the company also performed strongly elsewhere in Europe. Despite its decision to sell its controlling stake in AMC to Chrysler last year, Renault said sales in the US, at 45,000 cars, were similar to those of the previous year.

The group added that it was discussing actively with Chrysler the development of the latter's Eagle brand under which the Renault models are now marketed.

Renault said the combined production of the Medallion – the American version of the Renault 21 medium-sized saloon – and of the upper range Premier model was expected to rise to about 80,000 cars this year.

Swiss sovereign risk provisions to be raised

By John Wicks in Zurich

THE SWISS Banking Commission has informed banks that the minimum rate for sovereign risk provisions in respect of some 50 countries is to be raised from 30 to 35 per cent.

This increase, which follows one from 20 per cent as of the end of last year, is to come into effect for balance sheets dated December 31, 1988. Banks will, however, be able to increase the rate earlier if they wish.

The commission has already indicated that the rate could be raised further as of the end of next year. Bankers believe that could take the minimum up to 40 per cent.

Unusual floater for State Bank New South Wales

BY CLARE PEARSON

THE NEW YEAR revival of primary market business in Eurobonds continued yesterday as five new bonds appeared, including an unusual floating-rate note issue for **State Bank of New South Wales**.

But the $250m issue probably does not foreshadow any revival in the FRN market, where new issue business has dwindled over the last year, as its structure was dictated by the borrower's specific requirements.

The issue, whose maturity is 1998 but may be extended by the borrower, ranks as senior debt. However, Morgan Stanley International, the lead-manager, said the Australian authorities had agreed to count it as capital.

In 1993, the borrower may decide to extend its life by five years, and then on every fifth anniversary. But investors may choose whether to take up the extension. If they do, their bonds become non-callable for the next five years; if they do not, the borrower may call their bonds at par.

The par-priced bond pays ¼ percentage points over six-month London interbank offered rate, but this may be increased though not lowered. It was quoted yesterday at 99.75 bid, inside 32 basis points fees.

Bonds in sterling, Ecu and Canadian dollars appeared – aimed mainly at catching the eyes of European investors, who have seen paltry new issuance in these sectors over the last few months.

In particular, Bankers Trust International's three-year C$75m bond for **Finnish Export Credit** was designed to fill a hiatus in the short-dated end of the Canadian dollar primary market. This 10¼ per cent bond, priced at 101¼, was quoted within 1¼ per cent fees yesterday at less 1¼ bid.

Swiss Bank Corporation International's Ecu150m bond for the **European Investment Bank** came in the wake of two deals in the sector launched by Deutsche Bank Capital Markets on Tuesday, which had met varying fortunes.

INTERNATIONAL BONDS

An issue for **Deutsche Bank Finance** had met strong demand, but a five-year 7⅛ per cent bond for **BP Capital**, a subsidiary of British Petroleum, had been seen as too tightly priced and traded yesterday at less 2½ bid.

However, yesterday's bond for the EIB met firm demand, particularly from Japanese and Italian investors, for whom it is tax-exempt. The 8 per cent deal, due in 1996, and priced at 101½, was quoted at less 1.95 bid, against 2 per cent fees.

Shearson Lehman Brothers International's £50m five-year bond for **Abbey National**, the UK building society, also came against the background of an unsuccessful deal the day before: a £75m 9½ per cent five-year bond for **Toyota Motor Credit**, which traded at less 2⅜ yesterday, underperforming a weakening gilt market.

However, dealers were more encouraged by Abbey National's five-year bond which provided an initial yield spread of 56 basis points over the UK Treasury Stock 10 per cent, due 1993, and so looked likely to attract the UK institutions.

The 10¼ per cent bond, priced at 101¾, was offered at less 1¾ late yesterday afternoon.

Federal government bonds came under particular pressure in a weakening D-Mark domestic bond market yesterday, on worries about growth in the Federal budget deficit because of intervention to support the dollar. These bonds fell by up to 70 basis points.

D-Mark Eurobond prices were disturbed by the volatile movements in the dollar on the foreign exchanges and some bonds lost 15 basis points.

Morgan Stanley led a DM100m three-year 4⅞ per cent bond, priced at 100¾, for the **Nordic Investment Bank**. The deal was accompanied by an issue of 1.5m two-year warrants to buy $100 at DM1.63/$. They cost DM12.75 each.

The bond traded at 99.40 bid, against 1⅞ per cent fees, while the warrants traded at DM12.90 bid, DM13.20 offered.

Austria is expected to tap the D-Mark market today.

In Switzerland, prices closed largely unchanged yesterday.

Union Bank of Switzerland led a SFr200m 10-year 4¾ per cent bond for **Nippon Telegraph and Telephone**, priced at 100¼. It was well received, and quoted in the grey market at less ⅛ bid.

Canadian bank sacks 17

BY DAVID LASCELLES

CANADIAN Imperial Bank of Commerce is releasing 17 Eurobond salesmen out of a total staff of 700.

Mr Max MacIntyre, vice president in charge of investment banking in London, described the redundancies yesterday as "an adjustment to the market" following the decline in Eurobond business. However, the staff cuts did not imply any reduction in product lines, he said.

Earlier, Hongkong and Shanghai Banking Corporation said it was shedding 120 people as part of the rationalisation of the operations of the bank with those of James Capel, its recently acquired stockbroking subsidiary.

Of the redundancies, 70 come from James Capel Bankers, its merchant banking arm, and a further 50 from the bank. They are equivalent to 10 per cent of the combined workforce.

£75m facility for Simon

SIMON Engineering, the UK heavy engineering concern, has mandated Lloyds Merchant Bank to arrange a £75m multiple option facility including a £50m five-year committed credit, **reports Alexander Nicoll.**

The credit has a facility fee of 7½ basis points, a margin over Libor of 12½ basis points, and a 3 basis point utilisation fee if drawings exceed 50 per cent. One of the purposes of the financing is to fund acquisitions.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93¾	93⅝	-0⅛	-0⅜	9.51
All Nippon Air 9⅞ 97	100	94⅝	95	0	+0½	10.27
American Brands 8⅞ 92	150	96¾	97¼	-0⅛	-0⅜	9.69
A/S Eksportfinans 7¾ 93	100	†92	92½	0	0	9.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	97¼	97⅝	-0⅛	+0⅛	5.11
E.I.B 4⅝ 94	40	97⅝	98	-0½	+0¼	5.04
Elec. De France 5⅛ 94	20	100⅛	100⅝	-0⅜	+0¼	5.05
Kansai Electric 4⅝ 94	60	96⅛	96½	-0⅜	-0⅛	5.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month) for US dollars. C.cpn=The current coupon. C.yld=The current yield.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES & FINANCE

Ahold to buy US stores chain

By Laura Raun in Amsterdam

AHOLD, the Netherlands' biggest grocery store chain, plans to acquire 80 per cent of First National Supermarkets of the US in a move that will double its US sales.

The remaining 20 per cent of the supermarket chain is to be acquired by 1992 from the management of FNS, the holding company for First National Supermarkets. Ahold did not disclose the purchase price.

First National, which is based in Cleveland, has annual turnover of $1.6bn and employs 11,000 workers, and will dovetail with Ahold's grocery store operations in the US. Ahold has long wished to supplement its BI-LO chain in the Carolinas and Georgia and Giant Food Stores in Pennsylvania with additional US stores.

First National has 122 stores in Ohio, Connecticut, New York, New Hampshire, Vermont and Massachusetts.

Nearly 36 per cent of Ahold's Fl 11.4bn ($6.2bn) revenue comes from the US, where growth opportunities are greater than in the Netherlands. At home, Ahold's Albert Heijn grocery store chain already commands about 25 per cent of the market.

Besides the well-known AH grocery chain, Ahold also operates Miro "hypermarkets," Etos drug stores, Alberto butcher shops and wholesale meat operations in the Netherlands.

Mr Albert Heijn, president of Ahold, said yesterday that the purchase would be financed from available liquid assets and would have no effect on 1988 earnings. Equity capital will temporarily decline due to a write-off for goodwill, but will remain within acceptable limits, he added.

Trading in Ahold shares was suspended yesterday on the Amsterdam Stock Exchange, following a 12 per cent spurt in the share price to Fl 65.50 the day before, far outpacing the market.

The purchase of First National Supermarkets is subject to US government approval, which is expected within three months.

EUROPEAN INDUSTRIAL INKS VENTURE

CdF-Chimie links up with UK groups

BY PAUL BETTS IN PARIS

CDF-CHIMIE, the French state-owned chemicals group, and Coates Brothers, the UK printing ink manufacturer, yesterday announced the terms of the deal under which Coates will acquire Lorilleux International, CdF-Chimie's printing inks subsidiary.

The move will lead to the creation of a major European industrial inks concern with annual sales of FFr3.2bn ($550m) and ranking third in the international inks market — worth FFr40bn a year — after BASF of West Germany and Dainippon Ink of Japan.

The Coates link is one of two alliances between CdF and British companies announced yesterday, both crucial to CdF's aim to reinforce its industrial operations by giving them the critical size to compete in the international market.

The other deal involves a partnership between CdF and MTM, a Liverpool-based chemicals concern, to form a joint venture in the organic chemical sector with annual sales of FFr400m. Each company will provide a plant to the joint venture, called Norsochem, with the French group retaining an option to buy control of the new venture during the next three years.

But both in terms of size and financial engineering, the CdF partnership with Coates is by far the more significant. It implies not only a new French privatisation, but also represents an effort to outmanoeuvre a hostile Australian raider interested in Coates.

CdF has already won the necessary approval of the French Treasury to merge its subsidiary into a publicly-quoted British company. In so doing, Lorilleux, with annual sales of FFr1.1bn and net profits last year of FFr64m, will move out of the French state sector and be transformed into a subsidiary of a private group.

But CdF will end up becoming the main shareholder in the new British-based merged inks company. In exchange for Lorilleux, CdF will be issued with 8.6m new ordinary Coates shares and 11.7m new "A" non-voting Coates shares, representing 33.4 per cent of the enlarged group. The value of the transaction is £56.8m ($1.04bn).

At the same time, CDF is launching between January 28 and February 12 a partial share offer for up to 10 per cent of Coates, offering £5.05 a share for shares with voting rights and £4.59 a share for shares without voting rights. Mr Serge Tchuruk, CdF's chairman, says this 10 per cent stake will cost CdF FFr180m.

The French group will also acquire for about FFr80m the interests of the French privatised Paribas banking group in Lorilleux. Paribas invested in Lorilleux last year by acquiring convertible bonds and bonds with equity warrants which, when converted, would have given Paribas a 20 per cent stake in the CdF inks subsidiary. The chemicals group had decided to open up the capital of its subsidiary to Paribas in an effort to strengthen the financial structure of the inks company.

This complex series of operations, if successful, will ultimately give CdF a stake of about 40 per cent in the expanded Coates company. In turn, the Coates family, which currently owns 30 per cent of the company but 50 per cent of the voting rights, will see its stake drop to around 18 per cent. But Mr Tchuruk insisted yesterday that despite the large CdF stake, the company would remain British although it will develop a close partnership with the French group in its European and international development strategy.

Mr Serge Tchuruk: 'Coates will remain British'

Coates also plans, conditional on the arrangements with CdF being implemented, to enfranchise the "A" Coates shares, ordinary shareholders receiving a one-for-10 bonus issue.

Although Coates has been controlled by the Coates family since it was founded about 100 years ago, Mr Tchuruk indicated that the company's management has been interested in CDF's merger proposals not only to give the company a stronger international industrial base but also to fend off unwelcome advances by Markheath Securities, the UK vehicle for Australian-based Adelaide Steamship, which has built up a 20 per cent stake in Coates.

The deal between CdF and Coates, which Mr Tchuruk says has been approved by the London Stock Exchange, would automatically reduce the Australian stake to about 14 per cent. However, the French group does not rule out the possibility that its Australian rival may consider starting a bidding battle for Coates.

CdF decided to make a public offer to buy 10 per cent of Coates shares as well as exchanging Lorilleux for a 33.4 per cent stake in the new expanded company because if it had decided to bid for more, it would have been forced under UK stock exchange rules to make an offer for the whole company, Mr Tchuruk says. But he added that the French group could subsequently acquire up to two per cent a year in additional shares without authorisation under London stock exchange rules, up to a ceiling of 46 per cent in five years.

But at this stage, CdF was reluctant to bid for the whole company since the French chemicals group has only recently made a financial recovery. After heavy losses during the last eight years and a major injection of funds from the French Government last year, it now expects to report net profits of FFr 1bn for 1987 on sales of about FFr 19bn.

Since Mr Tchuruk came to CdF in November 1986 from Rhone Poulenc, where he was managing director, he has undertaken an organisational restructuring to group the company's operations into four main divisions – chemicals, fertilisers, paints and inks. Since turning the group around financially he is now seeking to strengthen these businesses by forging industrial partnerships like the two British deals he has just negotiated.

Although he acknowledged that the deals, especially the Coates transaction, are somewhat contorted, he emphasised yesterday that they were essentially "industrial operations" to give the new ventures the scale to compete successfully in the European and world markets. He said that the merger between Lorilleux and Coates offered "remarkable synergies" and would create a competitive European enterprise with combined annual sales of FFr 3.2bn and combined annual net profits of nearly FFr 200m. The merged group will have a presence in 40 different countries and employ about 5000 people, he added.

Mr Tchuruk also said that the second deal between CdF and MTM in the organic chemicals sector was also based on the same industrial logic as the association with Coates in the inks market.

At a time when the French Government's ambitious privatisation programme has been interrupted by the stock market crash, the Coates deal has also provided a useful reminder of the Government's commitment to privatisation.

Bond company in record lease

BY CHRIS SHERWELL IN SYDNEY

A COMPANY controlled by Mr Alan Bond, the Perth entrepreneur, has paid a record A$306m (US$219.4m) for a long lease on a federal government property in the business district of Sydney.

The company's tender translated into A$47,500 per square metre, ahead of the previous record figure paid last year for the freehold on a central complex sold by CSR, the sugar and building products group.

One estate agent familiar with Sydney commercial property values described yesterday's outcome as "an excellent price" which indicated that the city's market was holding up in the wake of last October's stock market collapse.

But other analysts foresee an oversupply of office space in the near future, which will put a ceiling on values and rents.

For the Canberra Government the proceeds will take it closer to a budget target of A$1bn in asset sales in the current financial year, which ends in June.

Mr Bond's bid for the 125-year lease on the Federal Government's Chifley Square site beat 10 other tenderers and was made through a subsidiary of Bond Corporation called Votraine No 132.

The lease will be effective from July, and the site, billed as the largest single site likely to be available for a few years, is expected to be developed into a hotel and commercial and banking complex. Currently it consists of a 19-storey office block, two smaller buildings and a car park.

Mr Bond's success follows the recent rejection by the Sydney authorities of his plans for a 93-storey "skytower" at another site on the edge of the business district.

The Federal Government's other planned property sales include government offices in Melbourne, the ambassador's residence in Paris and part of the embassy site in Tokyo.

Hong Kong investors in Japanese hotels deal

BY IAN RODGER IN TOKYO

A GROUP of Hong Kong investors is to take control of Gajoen Kanko, a small quoted Japanese hotel group, by acquiring Gajoen shares from its largest shareholder.

It is still rare for control of Japanese companies to be taken over by foreign bidders, but this appears to have been a special case.

Gajoen is best known as the operator of a hotel in south Tokyo which has a beautiful garden and is therefore a popular venue for weddings. It also has hotels and restaurants elsewhere in Japan.

The company has suffered operating losses for several years. Last year, following a series of disputes among the controlling family, management rights were transferred to Cosmopolitan, a private property company known for its aggressive takeover bids. Cosmopolitan owns 33 per cent of Gajoen.

Specific terms of the deal between Cosmopolitan and the unnamed Hong Kong investors are to be negotiated. Gajoen shares are not widely held, and last traded at Y1,890, valuing the company at Y51.9bn ($406.1m).

UK COMPANY NEWS

David Waller examines the merger between Burgess and RHP

City blessing for a marriage

MANY MARRIAGES come about through the services of a go-between. In the case of the union between Burgess Group and RHP, this role was played by Dr John White, a non-executive director of Burgess and – wearing another hat – the highly-regarded chairman of BBA.

Dr White suggested the idea of a merger to RHP's chief executive Mr Roger Pinnington, a friend from the time when both worked at Tarmac. In the event, the parties required little persuasion – they had been eyeing each other up for some time – and the corporate match was effected Tuesday night.

"Eminently sensible," is how one analyst described the transaction. It brings together a prosperous but vulnerable RHP with a smaller but tougher Burgess, and as such has won the City's blessing.

RHP's vulnerability prior to the merger stemmed from its decision last month to sell its traditional ball-bearings business for £73.5m in cash. Cash-rich, capitalised at under £130m, and with good market share in the remaining electricals business, it was open to a hostile takeover.

At the time of the divestment, RHP admitted as much. It also conceded that its electrical businesses – principally in fire detection and suppression and electronic control could only grow at 3 per cent a year.

Prospects for Burgess were a great deal brighter. Under the entrepreneurial Mr Bob Morton, chairman of Burgess since 1984 and vice-chairman designate of the new combine, Burgess has delighted the City with the speed of its recovery. In 1983 and 1984 turnover was static at £23m and

Bob Morton (left), chairman of Burgess, and Roger Pinnington, chief executive of RHP

the company went into the red; in 1987, turnover was £74m and for this year analysts were predicting pre-tax profits of £23m.

Mr Morton established his reputation by building up an exhaust business, sold to Kwik Fit shortly before he came to Burgess, which also had exhaust interests. To everyone's surprise, he disposed of Burgess's exhaust business soon after his arrival and concentrated on expanding its activities as a manufacturer of electronic components, particularly switching devices used by the car and white goods industries.

In December 1986, he made his first significant acquisition with the purchase of Saia, a Swiss components company, for SFr 46m (£19m). This involved a three-for-four rights issue. It was followed in June last year with the £44m share-only acquisition of American Electronic Components, which derived almost all its £10m turnover from the US. The transaction, which involved another explosion in its equity, was widely praised at the time.

RHP said yesterday that it had had Burgess in its sights for some time, but had been prevented from translating its ambition into reality by the lowliness of its own share rating. This reflected investors' disillusion with the dowdy growth prospects for ball-bearings, and contrasted with the high rating accorded to shares in the acquisitive Burgess.

For its part, Burgess had considered making an offer for RHP but was deterred from doing so by the company's traditional activities. Mr Pinnington's radical decision to dispose of ball-bearings – which accounted for just under half of RHP's pre-tax profits of £21.9m last year – meant that both companies could begin to entertain each other's advances.

The new group will have annual sales of £220m-£230m. Approximately half of this will derive from sales of electronic controls; a fifth will come from fire protection and defence and another fifth from the white goods industry; the remaining 10 per cent from the fast-growing automotive sector.

The UK and continental Europe will each account for some 45 per cent of sales; the remaining 10 per cent will derive from the US. Mr Bob Bucknell of Smith New Court expects the group to muster pre-tax profits of £31.5m in the current year.

This is before any contribution from further acquisitions. These are expected soon after the transaction receives approval from both sets of shareholders next month, and are likely to be in the US. The market crash frustrated RHP's aim to buy one particular US company, but Mr Morton sees the cheap dollar as an excellent opportunity to buy into a vast, more or less untapped, market.

With net assets of £135m, £55m in cash, the new group should be able to buy without recourse to the turbulent stock market.

As RHP is obliged to forsake its name as a condition of its recent divestment, the new group will probably be called Burgess. Yet the deal should not be regarded as a simple reverse takeover.

"It is a cross between a reverse takeover and a straightforward merger," Mr Morton said yesterday. "Sometimes the mongrel is the best dog to have."

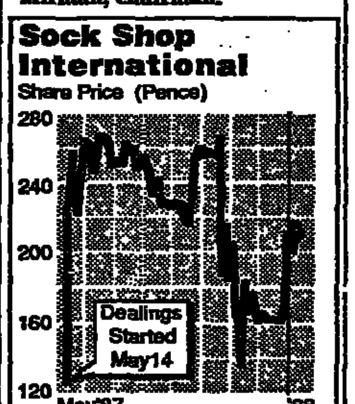
Sock Shop profits at £1.8m beat forecast

By Heather Farmbrough

Sock Shop, the specialist hosiery retailing group, yesterday beat its own forecast made in May when the company came to the USM in an issue which was oversubscribed 52 times. Pre-tax profits for the year to September 30 1987 more than doubled to £1.8m (£0.77m), compared with the £1.65m forecast.

The company attributed the increase to the acquisition of favourable shop sites and the demand for quality well-designed products. Turnover also more than doubled, from £6.17m to £13.99m.

In particular, "growth in the provinces has been phenomenal," said Mr Richard Ross, joint managing director, who founded the company with his wife Sophie Mirman, chairman.



At the year end, Sock Shop had 52 shops in the UK, compared with 34 a year earlier. Since then, seven more have been opened, with 30 more planned in the near future. The eventual target in this country is 250.

Christmas trading has been strong, with sales up by 13 per cent in stores which were open a year ago.

Earnings per share were 5.57p (2.39p), while a dividend of 0.8p has been recommended for the year.

● comment

Sock Shop knows exactly where it is going. The original formula shows no sign of running out of steam in the UK and should be readily exportable. At the end of the day, most women have to buy hosiery and most men have to buy socks. The emphasis on quality, attractive designs and reasonable prices has given Sock Shop around 3 per cent of the UK hosiery market, with plenty of room to grow. Quite rightly, it is sticking to its basic business, and has paid a great deal of attention to management. The only concern is that expansion will take its toll on the balance sheet, and the present stock market is hardly ideal for raising more money. That said, current borrowings are well within limits and gearing is almost non-existent. Expansion into the US could have come at a more fortunate time, but the company is tackling it sensibly with a US based team and intends to purchase 80 per cent of its materials locally. Pre-tax profits of £3m are well within reach for the year, although a prospective p/e of 24 may deter buyers.

Strong demand and price rise behind surge at Rbt Horne

BY MAGGIE URRY

STRONG DEMAND for the high quality paper and board Robert Horne distributes, plus price increases, helped the company to raise its pre-tax profits by 24 per cent to £13.1m for the year ended September.

The paper merchanting division, which accounts for 94 per cent of profits, saw an 18 per cent sales increase to £144.1m and profits up 21 per cent to £12.4m.

Sir Kenneth Berrill, chairman, said "this has been the fifth successive year of strong demand for paper."

In the last financial year a volume gain of 11 per cent was achieved and price increases added around 7 per cent. Realised stock profits of £1.1m, about double the previous year's figure, are included in profits.

The division is spending £4m over three years replacing its computers and is expanding its warehouse at Northampton at a cost of £1.8m. However, Sir Kenneth said "indications so far are that sales and profit margins will be more than adequate to absorb these necessary expenses and that group profits will continue to increase."

The other divisions all increased profits with Aikins & Cripps, a hardwood importer, making a first contribution of £98,000 following its acquisition in July last year. New management at Tuttle, the industrial fasteners business, pushed profits up from £231,000 to £442,000 after the previous depressed year.

Despite a less than buoyant market, Spectrum Adhesive Coatings returned a profit of £93,000 compared with a loss of £20,000 caused by the disruption of a factory relocation. Profits from Papico, the paper importer, rose from £104,000 to £140,000.

Net interest receivable of £321,000 compares with a payment of £128,000 and at the year end there was cash of £5.3m in the balance sheet.

After a 36.8 per cent tax charge earnings per share rose by 28 per cent to 26.4p. The final dividend was lifted from 3.5p to 5p giving a total for the year of 7p, up by 40 per cent, still covered 3.8 times.

● comment

After five good years in a notoriously cyclical industry there must be some uncertainties for Robert Horne. However, the company is clearly confident of further strong growth in demand, looking for volume up by as much as 15 per cent this year, and it is increasing prices this month by 5 to 6 per cent. The volume of paper supplied for privatisation prospectuses will be down on last year's but that is lower margin business anyway. The strong balance sheet can comfortably cope with the capital expenditure and any suitable acquisitions which might turn up. Profits ought to exceed £15m comfortably in the current year and estimates range above that. A p/e of around 10, with the non-voting shares up 30p to 310p yesterday, is not expensive.

ICL looks to boost equipment sales in SA

By David Thomas

ICL, the British computer company, said yesterday that the dilution of its stake in its South African subsidiary did not result from any political pressure to disinvest from the country.

On the contrary, ICL, part of the STC electronics group, believes its move to find a local partner in South Africa would help boost its sales of equipment there.

ICL is selling a significant stake, which it would not define, to Malbak, a South African industrial holding company not previously involved in electronics. But the British company will retain control of the operation.

Previously, ICL owned 93 per cent of the subsidiary with the remaining 7 per cent held by Old Mutual, a South African insurance company.

In 1986, sales to South Africa accounted for more than half the total sales of £84.6m made by the group in Africa and the Middle East.

ICL has 900 employees in South Africa and sells its full range of equipment and services there, except for equipment affected by international embargos such as that used for military purposes.

The group said the partnership with Malbak would best meet the future interests of both the users of its equipment and of its employees in South Africa. It hoped it would pave the way for continued expansion of ICL in the country.

Sears'stake in Freemans is nearly 17%

By Nikki Tait

Sears, the retail, footwear and betting group which raised its hostile bid for mail order group Freemans to £477m on Tuesday, last night reckoned to control almost 17 per cent of its target's shares.

The company confirmed that it picked up a further 6.9m shares (4.6 per cent) in its target through the market on Tuesday after announcing its higher offer.

Yesterday, the company's brokers continued to buy, and were thought to have added around 1m shares (approximately 0.7 per cent).

In addition, the predator also announced that it had received acceptances in respect of 1.84m Freemans shares – just 1.2 per cent – at Monday's first close. The acceptances are in respect of Sears' initial lower offer, which valued Freemans at £430m.

Sears had already picked up a 10 per cent holding in Freemans through an earlier market raid, when its original bid was unveiled. Pension funds within the Sears group have an additional 0.1 per cent.

The net result, therefore, is to give the retail giant control of around 25m Freemans shares, or slightly under 17 per cent.

Arco/Britoil

Atlantic Richfield, the US oil company, yesterday lifted its stake in **Britoil** to 21.91 per cent, up from Monday's level of 21.21 per cent.

Arco has offered to take its stake in Britoil to 49 per cent as part of an assets for shares swap deal approved by the Britoil management, although the Takeover Panel may require a full bid in that event.

Arco has not said whether it would match a rival and hostile 450p per share bid by BP, which is proceeding with its offer despite a statement from the Treasury that it would use its golden share to block any bidder from taking control of the company. The Takeover Panel has said that BP may acquire 100 per cent of Britoil shares even if it is unable to control Britoil's board.

English China

English China Clays, the industrial minerals, quarrying and construction group, said yesterday that revaluation of mineral reserves had more than doubled the net asset value of its latest US acquisition, aggregates producer J.L. Shiely.

ECC said the $73m (£40m) purchase was completed on Tuesday. Shiely's assets were now valued at $53m, against the September 30 balance sheet figure of $23.5m.

Of the acquisition price, $20m was provided from internal sources and $53m from existing lines of credit. The latter will be refinanced through a new $100m commercial paper programme.

Yearling bonds

Yearling bonds totalling £0.75m at 9⅞ per cent, redeemable on January 11 1989, have been issued by the following local authorities: Kirklees Metropolitan Borough Council £0.75m.

Marshalls buy

Marshalls Halifax has acquired concrete products manufacturer, **W G Smith (Cannock)**, for £2.63m. The consideration is £1.92m cash, loan notes to the value of £702,184 and 1,261 Marshalls Halifax ordinary shares.

Widney expects more growth

Widney, Birmingham-based general engineer, increased pre-tax profits by 9 per cent to £426,000 (£390,000) on turnover of £10.1m (£7.48m) in the year to end-September. It is paying a final dividend of 0.6p, making 1p (0.8p) for the year.

Mr Jonathan Davies, chairman, said the outlook for the company was good, providing the economy remained reasonably stable.

Widney has agreed to purchase Horstmann Aish from Horstmann Group for £101,600. Widney will also repay up to £655,000 of Aish's inter-company borrowings by instalments ending June 30 1989.

Aish designs and makes wired consoles and software for electronic control systems for warships. Widney will not acquire Aish's non-defence activities, the main cause of its poor results.

To meet the extra funds needed after the acquisition has been completed, Widney proposes to issue 1.8m convertible preference shares at 100p each. Some 1.77m have been placed provisionally with institutions with the balance to be taken up by two directors. There is a claw-back arrangement for shareholders on the basis of 10 convertible shares for every 78 ordinary shares held.

The company is also selling its property at Dudley, West Midlands, to a subsidiary of Warringtons for £830,000. It will lease back a factory for 25 years at an annual rent of £97,000, subject to review every five years.

In the period under review Widney incurred an extraordinary loss of £105,000 (nil). Tax was £48,000 (£7,000), leaving earnings per 10p share of 3p (4p).

Zygal over £0.7m at halfway

BY PHILIP COGGAN

Zygal Dynamics, USM-quoted computer peripherals distributor, more than doubled pre-tax profits in the six months to October 31, 1987 after merger accounting the acquisitions of Base-Sys and Coulson Heron Associates.

Taxable profits increased to £722,000 (£347,000) on turnover slightly down at £5.82m (£6.3m), with earnings per share up 82 per cent to 3.1p (1.7p). As in previous years, the company is not paying an interim dividend.

The fastest growing part of the group was CHA which Zygal bought for £7m in October. "There was a change in the trading pattern of the CHA group" explained Mr Con Driscoll, Zygal chairman. "A significant increase was recorded in the sale of high gross margin software products together with a reduction in direct hardware sales."

At the time of its acquisition, CHA, which supplies computer equipment manufactured by Digital Equipment, warranted pre-tax profits of £825,000 for the year to October 31. However, profits eventually exceeded £885,000, the trigger level at which further consideration became payable to CHA's vendors. CHA's contribution to Zygal's first half figures was not revealed, although its profits are normally biased towards the November-April half of the year.

No first-half figures were given for Base-Sys, which provides software to motor insurance brokers. However when Zygal acquired Base-Sys in March last year, it forecast pre-tax profits of £365,000 for the year to April 1987.

Comparison with previous years is complicated by the sale of Zygal's maintenance subsidiary to Thorn EMI, which took place in January 1987, and by the fact that the comparative interim figures relate to seven months of the original Zygal group but only six months of the two acquisitions. There is also an extraordinary debit of £270,000 reflecting acquisition costs.

Simon in $3.4m US purchase

BY CLAY HARRIS

Simon Engineering, the diversified process plant contractor, yesterday strengthened its presence in the US firefighting vehicle market with the acquisition of Duplex, a leading specialist chassis manufacturer, for $3.4m (£1.87m) in cash.

The purchase of Duplex integrates Simon's fire vehicle production in the US, where it will now rank among the top three or four makers.

Simon Ladder Towers, which makes the superstructure for fire vehicles, is already a large customer of Duplex, taking a "substantial proportion" of its output. Simon intends, however, to increase Duplex's capacity to develop its position as an independent supplier of chassis.

Duplex achieved pre-tax profits of $700,000 on sales of $14m in 1987. Its Ohio manufacturing plants are located about 200 miles from Ladder Towers' facility in Pennsylvania.

Duplex will give Simon's Gloster Saro unit, bought last year from Hawker Siddeley, a US manufacturing base for its airport crash tenders. Another Simon subsidiary, Dudley, makes hydraulic booms and platforms in the UK.

Tricentrol bid extended

BY STEVEN BUTLER

Elf Aquitaine, the French oil company, yesterday extended its £135m hostile bid for **Tricentrol**, the UK independent, to January 26, after picking up 0.3 per cent of Tricentrol shares by Tuedsay's first closing date for the offer. Elf now holds 7.9 per cent of the company.

Mr James Longcroft, Tricentrol chairman, described the level of acceptances as miniscule and said shareholders should continue to reject the offer.

"The offer price of 145p per share is wholly inadequate and utterly fails to recognise Tricentrol's reserves and future increase in production," he said.

Elf, however, expressed satisfaction at the level of acceptances at the first closing.

"In these circumstances it is not surprising that we picked up just 0.3 per cent," said Mr Keith Jamieson, Elf company secretary.

Mr Jamieson said that Tricentrol shares had risen above the 145p-per-share offer price on speculation that another offer for the company would be forthcoming, but that the shares had drifted lower, and were expected to fall further, in the absence of a rival bid. They closed yesterday up 5½p at 60½p, compared to a high of 172p last month.

"We're very confident that the price we have offered is a very full price," said Mr Jamieson.

Leisuretime Intl

Shares in **Leisuretime International** were suspended at 86p yesterday as the company considered rival proposals intended to extricate it from an impasse created by a shareholders' revolt last month.

Shareholders led by **Braithwaite Group**, the engineering company holding a 14.3 per cent stake, blocked Leisuretime's planned £11m disposal of its Worldwide Dryers subsidiary to BET, the international services group. They subsequently also refused to approve Leisuretime's request for authority to issue shares.

Leisuretime delayed a poll of shareholders on both issues until today.

B & C acceptances

British and Commonwealth Holdings announced yesterday that its £189m cash and shares bid for **Abaco**, a professional services group, attracted acceptances on behalf of 135m Abaco shares (50.2 per cent) by Tuesday's first close.

B&C had been a major shareholder in Abaco for about two years and held a 27.5 per cent interest when the offer was announced in early December. It therefore controls 80.1 per cent.

The offer remains open for acceptance until January 19. The "mix and match" election is also available up to that date, but will be closed thereafter.

The loan note alternative remains open as long as the offer itself is open to acceptances.

County Bank confirms AJS meeting request

BY NIKKI TAIT

County Bank, advisers to MIM-managed investment trust Drayton Japan, confirmed yesterday that they were looking to arrange a meeting with AJS Partners, the New York-based partnership which has built up a 25.25 per cent stake in the trust, later this month.

AJS, which at one stage offered to make a recommended bid for the trust, has requisitioned an extraordinary meeting of the trust. This has now been been called for March 2. At the meeting, shareholders will be asked to vote on a motion requiring Drayton Japan's board to consider discount-eliminating moves and to submit proposals within 30 days if this is approved.

"It seems sensible to talk to all major shareholders," commented County yesterday. However, the advisers stressed that no date has yet been fixed, and that it was not certain whether any principals would be attending – nor, indeed, precisely what the discussion would cover. "That will be based on our discussions with the Drayton Japan board," said County.

Blue Circle extends

Blue Circle, the cement company, yesterday extended its £217m bid for Birmid Qualcast, the lawnmowers, boilers and gas cookers group, until February 13.

By Monday, the first closing date of its offer, Blue Circle had received acceptances from holders of 788,182 Birmid shares, representing 1.1 per cent of the equity. It already owned 9.3 per cent before the bid was launched.

Birmid told shareholders yesterday that it would write to them "in good time" with results for the year to October 1987.

If it is to make a profits forecast as part of its defence against Blue Circle it must do so before January 23 under Takeover Panel rules.

Shares suspended

Trading of shares in Brewmaker, manufacturer of homebrewing kits, was suspended yesterday pending an announcement.

Anglia Secure

Anglia Secure Homes, currently quoted on the USM, has applied to the Stock Exchange for a full listing, Mr Peter Edmondson, chairman, told the annual meeting yesterday.

Trading in the first quarter had been excellent, he added, with sales negotiated on 280 properties which should contribute over £14.6m to current year turnover.

The building programme was on target.

Clayhithe up to £0.9m and seeks expansion

Clayhithe, fastening and fastening system manufacturer and property developer, lifted taxable profits by 12 per cent from £816,000 to £914,000 in the six months to end-September, 1987.

Figures from the group, formed following the reverse takeover of the original private Clayhithe group by BETEC last July, consisted of a six months contribution up to June 30 from the former BETEC engineering companies and six months trading from Clayhithe's remainder of the active investment division and the property division up to end-September.

Turnover rose to £8.8m against a comparable figure of £7.48m. After tax of £222,000 (£269,000), undiluted earnings per share came out at 3.7p (3.27p), and 3.64p (3.2p) on a fully diluted basis.

Mr John Jones, chairman, said the group had a strong balance sheet, good liquidity and a healthy cash flow which should allow it to take full advantage of future opportunities. Expansion plans included developing investment and property interests and extending activities in specialised service industries.

The B & TR fastener and BNL bearing subsidiaries increased sales and profits substantially during the period, but the performance of the Early's of Witney, Dico and Best Inspection operations was adversely affected by major reorganisations which should, however, improve their long term potential, Mr Jones added.

Clayhithe's participation in a joint venture housing development at Aylesbury, Bucks, had made good progress with the first houses released on the market in August to strong demand.

An interim dividend of 0.75p was paid in November. A final dividend for the current 15 month period to end-March 1988 will be paid in August.

Bremner chairman loses attempt to stop meeting

BY PHILIP COGGAN

MR James Rowland-Jones, chairman of **Bremner**, the Glasgow-based financial services group, yesterday suffered a setback in his fight to keep his job. The Inner House (Appeal Court) of the Court of Session rejected a motion for review of an earlier decision by Lord Davidson that an extraordinary general meeting should be held on January 18.

The EGM had been called for by Mr Dennis McGuinness, who wants shareholders to remove Mr Rowland-Jones and two fellow directors and replace them with his own nominees.

Mr Rowland-Jones had originally called the meeting for June 9. He argued that there were further acquisition-related payments due to Carswell, which depended on the stockbroker's results. Those figures would not be available until June 8. Until then, Mr Rowland-Jones says, it would be against the shareholders' interests to remove independent directors and replace then with Carswell nominees.

"I feel completely vindicated in the stand I have taken" said Mr McGuinness, who was awarded costs by the court. "It is now up to the shareholders, as it always should be, to decide who is to run their company. I already have proxy support from the owners of nearly 5 million shares including my own holding. I expect further support will be forthcoming now."

Mr Rowland-Jones said merely that the matter was being carefully considered by his solicitors.

Hollas lifts midway profit

Hollas Group, Manchester-based fabric and garment dealer, raised its first half profits by £200,000 to £953,000 pre-tax with all operations contributing to the improvement.

The interim dividend is being lifted from 1.2p tp 1.4p on the back of a 0.5p increase in earnings to 2.3p per 5p share.

The garment division continued to improve its performance and the yarn division again performed well and expanded its activities in what the directors described as important areas of the trade.

Since the end of the half year, to September 30, acquisitions have been made and other negotiations are well advanced.

The yarn division has reached agreement for the purchase of a company engaged in a specialised textile area and has also reached agreement to participate in a joint venture with a "well known" company. A formal statement is expected shortly.

Cottonline, acquired last year, has purchased Eden Wear and Thorndon, wholesaler and importer respectively of waterproof garments and country leisurewear.

Group turnover for the opening half year totalled £15.37m (£14.94m) and operating profits pushed ahead from £870,000 to £1.05m.

Interest charges accounted for £92,000 (£117,000) and tax for £286,000 (£264,000).

In Shops set for main market

By Maggie Urry

In Shops, which operates retail centres for small independent retailers, is planning to go public at the end of this month.

The shares will be quoted on the main market and the company is likely to be capitalised at around £13m. The issue, by way of a placing, will raise about £2m for the company which will repay debt and finance expansion.

In Shops' chairman, Mr David Newman, said he had not been put off by the stock market fall. "It has taken two years to get to this stage, we are not worried by market conditions."

Pre-tax profits in the year to March 1987 were £920,000 compared with £548,000 in the previous year. Brokers to the issue are Albert E Sharp.

In Shops opened its first centre in 1976 and now has 24 in operation, with another three planned for 1988. There are a total of 1,800 units, with all but 29 currently let, making up 600,000 square feet of selling space.

The centres are arranged along the lines of indoor markets and take in a wide variety of shops including food, fashion, hardware, newsagents, toys, hi-fi bars, photo processing and fast food restaurants.

The 1,300 retailers – some have more than one outlet – pay a weekly licence fee which covers rent, rates, cleaning, maintenance, security and advertising. The only other expenses for the retailers are heating and lighting. The cost is thus much lower than opening a high street shop.

Bonar Cole

Bonar Cole Plastics, a specialised plastics company, has been sold to Himont, a leading US plastics concern which is the world's biggest supplier of polypropylene.

The Milton-Keynes company, makes plastics granules which are converted into products for industries including electronics, cars and electrical appliances.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Hollas Group	int	1.4†	Apr 1	1.2	-	2.5†
Horne (Rbt)	fin	5†	Feb 20	3.5	7	5
Sock Shop §	fin	0.8	Feb 18	-	0.8	-
Widney	fin	0.6		0.47	1	0.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Unquoted stock. ♥Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abbey, Jurys Hotel, Investment Company

Finals- Abbey Panel Investments, Associated Newspapers, Christy Hunt, Daily Mail and General Trust, Debenham Tewson and Chinnocks, Dewhurst.

FUTURE DATES

Interims-	
BTS	Jan 28
Barbour Index	Jan 14
Beales (John)	Jan 21
Clarke Hooper	Jan 19
Fleming O'seas Inv Trust	Jan 12
Markheath Securities	Jan 12
West Industries	Jan 14
Finals-	
Bullough	Feb 1
Burndene Investments	Jan 18
Cauldon Group	Jan 11
Cranbrook Electronic	Jan 13
First Leisure Corp	Jan 20
Microgen	Jan 20
Trusthouse Forte	Jan 18

Public Works Loan Board rates

Effective January 6

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1	-	-	9¼			
Over 1 up to 2	9¼	9¼	9¼	-	-	10
Over 2 up to 3	9¼	9¼	9¾	10¼	10¼	10
Over 3 up to 4	9¼	9⅜	9⅝	10¼	10¼	10
Over 4 up to 5	9¼	9¼	9⅝	10¼	10¼	10⅛
Over 5 up to 6	9¼	9¼	9⅝	10¼	10¼	10⅛
Over 6 up to 7	9⅜	9⅜	9⅝	9⅞	9⅞	9⅞
Over 7 up to 8	9⅜	9⅜	9¾	9⅞	9⅞	10⅛
Over 8 up to 9	9⅜	9⅜	9¾	9⅞	9⅞	10¼
Over 9 up to 10	9⅜	9⅜	9⅞	9⅞	9⅞	10¼
Over 10 up to 15	9⅜	9⅜	9⅞	9⅞	10	10⅛
Over 15 up to 25	9⅜	9¾	9¾	10⅛	10⅛	10⅛
Over 25	9⅜	9⅜	9¾	10⅛	10⅛	10⅛

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Martin Dickson looks at Citibank's role in the bid for Dee

When relations are put to the test

AN ACT of gross disloyalty or of sound commercial judgment?

The role taken by Citibank, the large US banking group, in the bid by Barker & Dobson for Dee Corporation, the supermarkets group, has brought into the spotlight the extreme sensitivity of relationships between banks and corporate clients during takeover bids.

Citibank is providing £650m of the £1.6bn syndicated loan package which has enabled Barker to launch its hostile offer. However, until Dee sacked it yesterday, Citibank also had significant relations with the bid target: it was agent for Dee's commercial paper and convertible bond issues and depository bank for its American Depository Receipt programme in the US. It also provided borrowing facilities to Herman's, Dee's large sporting goods subsidiary in the US.

On top of this, says Dee, it was approached by Citibank last summer offering to fund a management buy-out of the company as a solution to its disappointing share price performance. But after discussions both this and a plan to buy in the company's shares were rejected by Dee.

Mr Alec Monk, Dee's chairman, has accused Citibank of acting in a "pretty low down way" and argues the bank's action is likely to hurt its relations with other corporate borrowers in the UK. But Mr Monk is a man with his back to the wall, who has a vested interest in slinging the maximum amount of mud at his opponents. How well do the complaints stand up?

For Citibank, it is not a novel experience to find itself under this kind of attack. In 1985 it put together the £1.2bn consortium of bank loans which enabled Elders IXL of Australia to launch its controversial, highly leveraged bid for Allied-Lyons. And in the US last summer Gillette broke off relations with the bank because of its role in funding a bid for the company from Revlon.

But Citibank, which has a reputation in the City for aggression, has made clear that it sees its immense lending ability and knowledge of loan risk analysis as a prime tool in building up its UK corporate finance business.

Dee's criticism is essentially twofold. First, that a bank which in the summer was offering to stage a friendly bid for the company by its own management is just six months later in the camp of a hostile bidder.

Citibank itself refuses to comment on the buy-out proposal, on the ground of commercial confidentiality. But Kleinwort Benson, which is advising Barker & Dobson on the bid, is quick to quash any suggestion that Citibank, having been rebuffed by Dee, then hawked around the idea of a hostile bid.

Kleinwort's Mr Bay Green, who is handling the bid, says the initiative for it came entirely from him — after a visit to a dowdy Dee store in London's Chelsea — and from B&D's chairman, Mr John Fletcher. Citibank was only invited into the loan consortium, along with the other participants, at the end of November when plans for the bid were already well under way.

Given these circumstances, rival City bankers contacted yesterday were sanguine about Citibank acting in the buy-out as well as the bid, particularly since banking sources said the two transactions had been handled by entirely different parts of the bank and the buy-out negotiations did not appear to progress very far.

After all, with banks anxious to increase their loan portfolios to the corporate sector, large companies are constantly bombarded with fancy proposals of this type.

Dee's second criticism, that Citibank has turned its back on an existing client, is rather more controversial.

It is not uncommon for banks to find they have divided loyalties during takeover bids. For example, the merchant banking arm of a British clearing bank might find itself acting for a predator launching a bid for a company to which its commercial banking arm provided facilities.

THE BANKS FUNDING B&D	£m
Citibank	650
Ist Bank of Japan	200
Standard Chartered	100
Credit Agricole	100
Kleinwort Benson	100
Bank of Scotland	150
Chemical Bank	300
Total	£1.6bn

Banks use a variety of means to defuse such conflicts. The most obvious is the erection of so-called Chinese Walls which prevent information flowing from one part of the bank to another. And the commercial lending departments of British banks often eschew taking sides in any domestic bid battle.

But loyalties are put to the test most visibly in the type of bid launched by B&D — a highly leveraged deal where a large slug of bank lending is vital to success.

Such bids are not common in the UK, but two of the most prominent of them also caused rows between bankers and companies. One was the Elders bid, which led Allied to break off relations with one of the consortium banks.

Also in 1985 Argyll launched its unsuccessful £2.5bn bid for Distillers, with the help of a £600m loan package. The Royal Bank of Scotland, Distillers' main bank, provided part of the financing, while its merchant banking arm, Charterhouse, advised Argyll. Distillers dismissed the Royal Bank, accusing it of great disloyalty.

Citibank's relationship with Dee is far less intimate than that and, as the bank itself points out, there are very strict Chinese Walls between its corporate banking and corporate finance arms. The team which handled Dee's day-to-day banking relationships would have been the last to know about the bank's role in financing the bid.

That statement might leave the impression of a bank in which different parts went their own strictly separate way, with no central policy formulation towards individual clients.

However, rival bankers suggest from their own in-house practice that the pros and cons of joining the B&D consortium were likely to have been weighed up at a senior level. On one side of the scales would be the commercial opportunities of the bid, in terms of large loan fees and a high public profile. On the other would be the value of Dee's existing custom.

A loan officer at one other US bank said: "It would have gone to a very senior level here. We have looked at situations like this very carefully in the past, but have always decided 'no, it's not quite on,' either because of the relationship with the client or the nature of the deal."

Whether the publicity surrounding its action helps or hinders Citibank in the UK is another matter. The bank itself says that aggressive bid financing is not something that happens every day of the week and it does not seem to cause it problems.

Indeed, observers argue that it could win the bank friends among large aggressive UK companies, sending them a clear signal that this is a bank which can provide cash in very large amounts. But some corporate finance directors suggest it could scare off medium-sized companies which might be vulnerable to a bid.

Certainly, the controversy comes at a time when relations between companies and banks seem to be undergoing a shift back towards long-term relations rather than alliances for "one-off" deals.

Just how these contrary forces will affect Citibank cannot be quantified. But it is worth noting that Allied-Lyons apparently still has no relationship with any of the banks which financed the bid for it. "In banking," says one loan officer, "people have very long memories."

APPOINTMENTS

Lloyds Bank divisional chief

LLOYDS BANK has appointed **Mr Paul Brown** senior general manager, international banking division, with responsibility for the newly-created debt management group. He was senior general manager, investment banking.

★

Mr. Terry Oliver, president of *Interbrand (Japan)*, and **Mr Ralph Durrmeier,** president of Interbrand (Frankfurt), have been appointed executive directors of the INTERBRAND GROUP, London.

★

Mr Robin Baillie has been appointed non-executive chairman of PAINEWEBBER INTERNATIONAL BANK. He is non-executive chairman of Burson-Marsteller Financial, and a non-executive director of Abbey Life Group, Standard Chartered, and other companies. **Mr Brian Tuck** has been appointed finance director of the Bank.

★

THE ROYAL BANK OF SCOTLAND has appointed **Mr Ian Blackie** its chief registrar. He rejoined the organisation and methods department in 1982 as assistant manager, was appointed deputy head in 1985 and head of the department in 1986.

★

BUNZL has appointed **Mr Michael Mills** as group financial controller. He joins from BTR, where he was joint financial controller for the European region. **Mr Paul Webb** has been appointed managing director of the consumer plastics business within the industrial division. He will be responsible for Stewart Plastics, North West Plastics, Cosipet and Dialene. He joins from the plastics division of the McKechnie Group, where he was managing director of Wragby Plastics. He takes over from **Mr Bob Stephenson** who retires at the end of the year.

★

Ms Jane Platt has joined BARCLAYS DE ZOETE WEDD INVESTMENT MANAGEMENT as a director principally concerned with marketing.

★

SEDGWICK GROUP subsidiaries have appointed the following as directors: at Sedwick Associated Risks - **Mr H.P. Manton, Mr M.S. Rutherford;** at Sedgwick Aviation - **Mr J.M. Chard;** at Sedgwick Cargo - **Mr A.N. Voke;** at Sedgwick Offshore Resources - **Mr D.R. Baxter, Mr J.R.B. Garratt, Mr C.A. Goddard, Mr M.J. Pounder;** at Sedgwick UK (London) - **Mr H. Bevan, Mr P.J. Blackstaffe, Mr N.G.B. Foord-Kelcey;** at Sedgwick UK (National) **Mr N.J. Gray, Mr D.J. Marsh;** at Price Forbes - **Mr R.M. Brewer, Mr R.D. Court, Mr C.J.R. Street.**

★

PRICE WATERHOUSE has admitted to partnership the following: in Liverpool - **Mr Pat Russell** (computer audit); in London **Mr Mark Armour** (audit), **Mr John Bromfield, Mr Philip Crawford, Mr Clive Johnson** (management consultancy); in Wales - **Mr Derek Howell** (corporate reconstruction and insolvency).

★

V.BERG & SONS has appointed **Mr Bernd H. Graap** as a director.

Mr Ian Blackie, chief registrar of The Royal Bank of Scotland.

★

Mr Brian Leckie has been appointed to the board of PATONS & BALDWINS, part of Coats Viyella. He is general manager of *Patons mill in Alloa*, and takes over as production director from **Mr J.C. Hawthorne,** who is retiring.

★

Mr Neil Durden-Smith has been appointed chairman of the PALL MALL PARTNERSHIP group, with **Mr Malcolm McIntyre** as managing director. The other directors are **Mr Geoffrey Bowden, Mr Richard Down, Mr Michael Evans, Mr Stuart Holden** and **Mr Dennis Young.**

★

Mr Bruno Baillavione has been *appointed marketing director, of* GRAND METROPOLITAN RETAILING's special operations division, charged with the development of new brands. He was director of Prontaprint.

★

Mr Tom Heron, company secretary of AETNA INTERNATIONAL (UK), has been appointed financial controller. He remains company secretary and compliance officer. **Mr Ian Goodhew** becomes assistant company secretary.

★

J.O.HAMBRO INVESTMENT MANAGEMENT has appointed **Mr John Anderson** as a director. He joins from J. Henry Schroder Wagg, where he was a director.

★

Mr Ron Walker has joined the JARDINE INSURANCE BROKERS GROUP as managing director of its new employee benefits and personal financial planning company, Jardine Financial Consultants. He joins from C.E.Heath, where he was UK board director responsible for financial services. Also appointed to the new company's board are **Mr Martin Wakeley,** managing director of Jardine Insurance Brokers, as chairman, **Mr Michael Paine** as deputy managing director, and **Mr Nick Lee** as financial director.

★

Mr Donald Robert O'May has been appointed to the board of LLOYD THOMPSON GROUP as a non-executive director.

★

ELLIS AND EVERARD has made the following changes. **Mr Stuart Bull,** sales director of Cargo Fleet Chemicals, succeeds **Mr Fred Cartwright** as commercial director of Ellis and Everards Chemicals, the group's *merchanting arm*. Mr Cartwright, while remaining deputy managing director of Ellis and Everard Chemicals, will be concentrating on the wider commercial developments of divisional business following recent acquisitions. **Mr Steve Crampton** becomes commercial director of Cargo Fleet Chemicals.

★

Mr J.M.S. Ekins, Mr M.D. Reeder, Mr R.K. Rice and **Mr Y. Uda** have been appointed directors of BARING INVESTMENT MANAGEMENT.

★

HULL BLYTH & CO., ships agents and overseas trading company of Ocean Transport & Trading, has appointed **Mr Malcolm Gorman** as managing director from February 1. He succeeds **Mr John Apsey** who is retiring.

★

Lord Jenkin of Roding has been appointed chairman of LAMCO PAPER SALES. **Mr T. Nysten,** president and chief executive officer of The Finnish Paper Mills Association- FINNPAP, remains on the board as vice chairman.

EC set aside meeting ends amid uncertainty

BY TIM DICKSON IN BRUSSELS

THE European Commission ended a key meeting in Brussels last night amid widespread uncertainty over the strength of its commitment to a so-called set aside scheme for the Community's arable farmers.

An anodyne and highly ambiguous official statement put out by the commission implied that some important differences remain between the individual commissioners, but the Brussels executive's senior spokesman adamantly refused to make any further comment.

Later, however, a senior adviser who was privy to the talks insisted there had been overall agreement after the proposal as drafted by Mr Frans Andriessen, the Agricultural Commissioner, had been put to the vote.

The issue is important not just because paying farmers to take land out of production is a new way to tackle the EC's costly food surpluses but because the idea has been widely seen as a means of unblocking a major obstacle to the long-term reform of EC finances.

In particular, West Germany believes a set aside scheme is an essential complement to the proposed system of so-called agricultural stabilisers which would introduce automatic price cuts for cereal producers once a certain output target had been breached.

Last night's official statement from the commission said that "the commission has fixed the framework of measures which could be taken in the context of a set aside regime to complete the progress that it has already made in the commission document Comm 100 to adapt the Common Agricultural Policy to the new economic situation and to the needs of the development of the rural world".

Comm 100 was published last year. It sets out new policies for the Community in the light of the amendments to the Treaty of Rome known as the Single European Act.

Yesterday's all-day meeting of commissioners is understood to have at times been a bad-tempered affair but last night it was not clear which problems caused most of the disagreement.

It is thought, however, that there was considerable argument over Mr Andriessen's idea that farmers should set aside at least 20 per cent of their land to qualify for the payments, rather than, as some preferred, agreeing to cut production by 20 per cent.

Many in Brussels fear farmers will simply increase the yields on the acres that remain, thereby limiting the impact of the plan on the level of production while leaving the Community with a large bill for compensation.

The big problem for the commission is that the deadline of the Brussels Summit, due to take place on February 11, is now looming and if a formal proposal on set aside cannot be quickly presented to member-states the risk of failing to agree on the whole range of EC financial reforms and thus precipitating a real Community budget crisis may be greatly increased.

Canadian pulp and paper hit record

By Robert Gibbens in Montreal

CANADA'S PULP and paper industry shipped a record almost 24.5m tonnes of products last year, up 4.5 per cent from January 1986.

The industry has been running flat out and will not have the capacity for a similar gain this year if demand remains as strong as in last year.

Newsprint shipments reached about 9.5m tonnes; printing, writing and sanitary papers, including lightweight coated papers and groundwood specialities, 3.8m tonnes; packaging papers and board 3.2m tonnes; and pulp exports 8m tonnes.

The industry sees US economic growth this year slowing to about 2 per cent in real terms but the newsprint market is expected to be buoyant because of the US presidential election.

Not much new market pulp or newsprint capacity is due on stream this year. Several new mills and machines are due for start-up in 1989-1990.

Fine paper prices, which lagged behind other products through most of last year, are expected to firm this year and to absorb higher pulp prices.

From January 1 pulp, newsprint and lightweight coated paper have cost more in North America and most companies have increased their European and Pacific market prices sharply because of a decline in the Canadian and US dollars.

Canada's softwood and lumber production rose 1.5 per cent, to 22.2bn board ft last year.

This was in spite of a 3.5 per cent drop in exports to the US due to the 15 per cent tax levied on Canadian export shipments south.

Domestic consumption rose by 4.6 per cent due to a strong housing market. Exports to Britain and Japan were up sharply.

Hardwood timber output was down to 2.5 per cent because of weaker domestic demand. US demand for Canadian maple was up 36 per cent, to 106m board ft.

Canute James on the meaning of the US import quota cuts

Caribbean sugar exporters angry

CARIBBEAN SUGAR exporters who have been struggling to keep their industries alive have been angered by the latest cut of 25 per cent in import quotas by the US.

The reduced access to the US market was expected but the region's sugar exporters say it will further damage their industries at a time world market prices are insufficient to cover their production costs.

There is also ambivalence towards a special US sugar import programme for this year, which will allow the region to ship more than its quota.

While there is general welcome for the special facility, some government officials say that, because it will last only a year, the relief will not offer any basis for meaningful production planning.

Under the latest quota allocations the Dominican Republic, the region's leading exporter to the US, will have access for 111,742 tonnes this year, while the English-speaking Caribbean's quota is 37,350 tonnes.

Mr Harold Davis, chairman of the Sugar Association of the Caribbean, an umbrella body for producers in the English-speaking countries, has attacked the latest quota cut.

He says the US Administration has continued to show insensitivity to the needs of regional sugar-producing countries the economies of which are heavily dependent on earnings from sugar exports.

"It is a blatant contradiction of the US Administration's avowed intention of helping to improve trade through the Caribbean Basin Initiative," he said.

The Initiative is a 12-year trade programme which allows 22 countries designated by Washington to ship a range of products duty-free to the US.

Mr Davis went on: "In other words this move of a further cut in the sugar quota certainly cannot help to improve hemispheric relationships which is what the CBI is intended to do."

Mr Davis, who is also chairman of the Guyana Sugar Corporation, said the quota cuts were a sad but not unexpected move.

The progressive cutting of US import quotas was forcing the region to sell more sugar at world market prices which were below the cost of production, said Mr Eric Deane, managing director of Barbados Sugar Industry Ltd, the consortium which processes the island's sugar.

"This is a heavy blow for an already suffering industry to take," said Mr Deane, with the US paying about 20 cents a pound and the world market offering about 8 cents.

The Caribbean would have to consider producing less sugar rather than sell at a substantial loss.

Several countries in the English-speaking Caribbean had earlier shown little enthusiasm for suggestions that they could receive surplus US commodities to make up for their losses from reduced sugar quotas.

The US had offered surplus wheat, non-fat dry milk, cheese, butter, butter oil, rice, corn, sorghum and soybeans.

"We do not want our sugar quotas cut off and to be offered food aid in return," said Mr John Compton, Prime Minister of St Lucia.

The producers are more amenable to the US Administration's decision to buy 290,000 tonnes from Caribbean and Central American exporters this year in an effort to cushion the blow of the quota cuts.

The sugar will be bought at 18 US cents a pound, refined in the US and then sold on the open market at prevailing prices.

Regional officials say it will take this year's shipments close to the 1986 quota levels, which were later cut by 41 per cent. Programme details will be decided by the US Department of Agriculture by March.

Mr Frank Downie, chairman of the Sugar Industry Authority of Jamaica, has welcomed the new US import programme.

He said: "It is something that we will take advantage of. We welcome any measure which allows us to export more and increase our foreign earnings."

However, there is concern in other parts of the region that the extra shipments will grant only temporary relief and could leave exporters in greater confusion about their industries' future.

A Trinidadian official said: "While we can all do with the additional access to the US market, and at prices which are good, we are still faced with the problem of continued reduction of our US quotas.

"If the US is willing to offer this beyond this year, why not then just restore the quotas and relieve us of all this uncertainty?"

However, according to Mr Mike Garrod, chairman of the European Community's Committee of International European Beet Growers, Caribbean countries should not hope for any change in the US policy of sugar imports.

In a recent address to Jamaican sugar interests he predicted the US would soon become a major sugar-exporter.

He said: "The Americans have told me that within two years they will be a net exporter, from a state 10 years ago when they were importing 5.25m tonnes per year. That 5.25m tonnes is being replaced from domestic US production."

He said US domestic production of sugar last year was 11 per cent higher than the previous year and was at the highest level since 1975-76.

He told Jamaican producers: "You had a quota of 25,000 tonnes on the US market. You now have 7,000 tonnes. I suggest that you forget about it."

Pakistan to import grains

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN IS shortly expected to import up to Pakistan Rupees 4.08n ($220m)-worth of grains to tide over domestic crop shortfalls following drought.

The Government said import would include 1.5m tonnes of wheat, 200,000 tonnes corn and 25,000 tonnes of chick peas.

The drought persisted after planting of wheat and other crops this autumn, following similar bad conditions last spring, and is likely to create foodgrain shortages. Some imports will be used to replenish wheat and other stocks.

There has been almost no rain since November, the crucial month for wheat planting. The drought persists to this month, by when the crop should have received several waterings.

Absence of rain has also affected irrigation-water availability in reservoirs which feed Pakistan's canal network, the world's largest for farming.

Monsoon rain last summer was also much lower than usual, adding to farmers' problems.

The Government expects wheat output may fall by as much as 10 per cent to 20 per cent in 1987-88 (year to next end-June 30). The output target for the year is 13.5m tonnes. The Government will next month be able to determine the exact shortfall.

Besides wheat, crops like maize, millet, sorghum, gram (chickpeas), rapeseed, groundnuts, fruits and vegetables are also badly hit.

Other crops hit by drought earlier last year were cotton and rice, Pakistan's two key foreign-exchange earners and exports.

All estimates are that last year was the worst for rain in the past 10 years.

Pakistan's wheat consumption will be about 12.5m tonnes this year, for a populaton of 103m, at the rate of 115kg a person; another 1.25m tonnes is needed for seed and feeding animals.

Dairy farmers warned to be wary on milk prices

BY DAVID BLACKWELL

UK DAIRY FARMERS were yesterday warned by Mr John MacGregor, Agriculture Minister, to be wary of the high prices being paid when European Community milk quotas change hands.

He told the Devon National Farmers Union in Exeter that the prices reflected "a confidence in the future profitability of the industry which I find encouraging."

However, they also reflected an implied judgment about the continuation of the system, which was introduced in 1984.

"All those farmers who are by their own decisions establishing the market value must bear in mind that no long-term guarantees have been given about the timespan over which quotas on the present basis will operate," he said.

"Those establishing the values in the quota market will, I hope, remember the need to take realistic account of its real value and will not be surprised nor complain if Community decisions at any future point in time should have a marked effect upon it."

He praised the system, which fixes the amount of milk a farmer may produce each year, for bringing a measure of stability to the dairy-farming industry. However, action was needed to minimise its disadvantages.

These included the problem of distribution of "a valuable resource created by the stroke of a pen," and the risk the industry's structure would become ossified.

Bacteria in Jutland cheese eliminated

By Hilary Barnes in Copenhagen

POTENTIALLY dangerous bacteria in cheeses delivered from a dairy in Jutland have been eradicated, according to the Danish Dairy Office.

The bacteria, listeria monocytogene, was held responsible for deaths in Switzerland last year, but the Danish health authorities say there was no similar hazard involved in the outbreak in Jutland.

The Swiss cheeses were made from unpasteurised milk, which meant that the bacteria were able to multiply after the cheeses left the dairy. All Danish cheeses are made with pasteurised milk. This limits quantity of bacteria to levels which are not normally a health hazard.

Shellfish sale ban to be lifted

CANADA's Federal Government is ready to lift its ban on sale of Atlantic-area shellfish in the next 48 hours.

The ban on mussels, oysters and clams was announced on December 11 after more than 100 people became ill on eating Prince Edward Island mussels. Two deaths were attributed to a poison identified as domoic acid.

Nymex trading volume rose 74% last year

BY STEVEN BUTLER

THE New York Mercantile Exchange (Nymex) yesterday announced a 74 per cent increase in last year's total trading volume, which it attributed to the rapid rise of trading in oil on the open market, as well as high volatility in oil prices.

"We witnessed a true acceptance of oil as a commodity – by the oil industry and the professional trader alike. This buoyed energy contracts and Nymex to a prominent position in the oil and futures industries," said Ms Rosemary McFadden, Nymex President.

Total contracts rose from 14.8m to 25.7m, with energy contracts accounting for 20.9m of the total. All categories of energy-related contracts showed record volume.

Contracts in crude oil futures alone rose by 75 per cent, from 8.3m to 14.6m, while petroleum products contracts rose by 40 per cent, to 6.4m.

Crude oil options, introduced in November 1986, gained acceptance through the year, with December average daily trading volume, at 21,673, up 347 per cent on the previous year. Crude-oil and heating-oil options introduced last June accounted for 3.3m trades.

Platinum futures contracts declined by 16 per cent, to 1.4m. Palladium futures trades rose by 10 per cent to 160,284. A contract in potato futures was discontinued in April.

Trading in futures and options contracts peaked on December 17, at 233,214 and 58,964 respectively.

North Sea oil drilling 'picks up strongly'

BY STEVEN BUTLER

OIL-DRILLING activity in the North Sea picked up strongly in the last four months of 1987, tripling to 39 exploration and appraisal wells, after hitting a seven-year low in March, according to a report released yesterday by Wood MacKenzie, the broking firm.

The firm also found the success rate, at 26 per cent, was the highest in 10 years. Reserves discovered per exploration well were substantially below those of the early-1970s.

However, this measure none the less rose markedly last year compared with the preceding six years of the decade, contradicting expectations that reserves discovered per well would gradually decrease.

A total of 25 significant discoveries was reported, with liquid discoveries of 860m barrels nearly matching the volume of production last year. Gas discoveries at 2.1 trillion cu ft were 33 per cent higher than production last year from UK fields.

"The discoveries did start to boost the industry's confidence once again," said Mr David Black, an oil analyst at Wood MacKenzie in Edinburgh.

The activity was expected to continue strongly this year because of the continued success of the oil companies in finding significant oil deposits, although uncertainty over the direction of oil prices raises a question-mark.

UK oil production averaged 2.45m barrels per day, which was a 4 per cent rise on 1986. Gas output also rose by 4 per cent.

UK faces hard task disposing of rapeseed crop

BRITAIN faces a difficult task disposing of its entire 1986-87 rapeseed crop, according to traders, **Reuter reports.**

The crop is estimated at a record 1.2m tonnes but demand from UK crushers is put at only about 1m tonnes, leaving about 200,000 tonnes which will either have to be exported, sold into intervention or crushed at the expense of other oilseeds.

Exports disposed of any surplus from the 1985-86 crop but Customs and Excise figures show July-December 1987 exports reached only 69,945 tonnes, down from 236,095 a year earlier. Total 1986-87 exports (July-June) reached a record 447,849 tonnes.

Rapeseed imports into the UK between July and December at 60,072 tonnes nearly match exports. Traders estimate there is still about 150,000 tonnes to 200,000 tonnes of surplus domestic production of which to dispose.

Exports to other European Community countries largely depended on currency fluctuations, traders said. The relative stability of sterling since last July has limited opportunities.

However, recent weakness of sterling against the D-Mark has given encouragement to some traders who see exports to the big rapeseed crushers in northern Germany as the most likely disposal method for British excess rapeseed production.

The possibility of exports to non-EC countries also depends on the European Commission's attitude to export restitutions.

WORLD COMMODITIES PRICES

LONDON MARKETS

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.50-5.55y	-0.35
Brent Blend	$17.70-8.00	-0.55
W.T.I.(1 pm est)	$17.75-7.80y	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-166	-1
Gas Oil	$155-157	-1
Heavy Fuel Oil	$79-80	-2.5
Naphtha	$145-147	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$485.50	-7.25
Silver (per troy oz)♣	709.50c	+53.50
Platinum (per troy oz)	$504.30	+12.30
Palladium (per troy oz)	$125.00	+4.25
Aluminium (free market)	$1965	-40
Copper (US Producer)	158-59.5c	+9.875
Lead (US Producer)	40c	
Nickel (free market)	400c	+10
Tin (European free market)	£3895	+80
Tin (Kuala Lumpur market)	17.19r	[illegible]
Tin (New York)	320.5c	-1.5
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	104.53p	-0.39*
Sheep (dead weight)††	187.72p	-22.85*
Pigs (live weight)†	65.34p	-5.00*
London daily sugar (raw)	$246.80v	+0.40
London daily sugar (white)	$250.50v	+0.50
Tate and Lyle export price	£243.00	+3.00
Barley (English feed)	£113.00	-1.00
Maize (US No. 3 yellow)	£138.00	+1.00
Wheat (US Dark Northern)	£94.50u	+2.25
Rubber (spot)♥	65.75p	+0.75
Rubber (Feb) ♥	67.25p	+0.75
Rubber (Mar) ♥	67.00p	+0.75
Rubber (KL RSS No 1 Jan)	276.50m	+1.50
Coconut oil (Philippines)§	$590v	
Palm Oil (Malaysian)§	$460	+5
Copra (Philippines)§	$380	
Soyabeans (US)	£172	+2.5
Cotton "A" index	74.35c	-0.954
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Dec. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Mar	1134	1116	1135	1116
May	1152	1134	1157	1135
Jly	1170	1152	1174	1155
Sep	1190	1175	1190	1180
Dec	1213	1193	1215	1204
Mar	1236	1218	1240	1225
May	1258	1237	1256	1254

Turnover: 6933 (10608) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 6: 1417.81 (1372.80). 10 day average for January 6: 1388.87 (1383.74).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1218	1198	1220	1204
Mar	1249	1225	1248	1231
May	1270	1245	1270	1259
Jly	1289	1267	1289	1274
Sep	1307	1287	1309	1294
Nov	1324	1302	1314	
Jan	1337	1320	1340	

Turnover: 4171 (4446) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 5: Comp. daily 1979 114.80 (113.44); 15 day average 114.91 (114.91).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	210.60	217.60	217.60	207.00
May	209.60	215.20	216.40	206.20
Aug	210.80	216.20	218.20	208.00
Oct	210.60	216.80	216.40	208.40
Dec	211.80	218.00		
Mar	214.40	220.20	218.80	217.60
May	216.00	221.00		
White	**Close**	**Previous**	**High/Low**	
Mar	246.00	253.00	252.50	242.00
May	249.50	256.40	255.00	248.50
Aug	256.00	262.00	261.00	252.20
Oct	256.00	262.00	259.60	252.00
Dec	258.00	264.00		
Mar	267.00	268.00	260.00	
May	270.00	271.00		

Turnover: Raw 5306 (3749) lots of 50 tonnes; White 1784 (1932).
Paris- White (FFr per tonne): Mar 1360, May 1380, Aug 1437, Oct 1430, Dec 1430, Mar 1448.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	155.50	158.25	156.00	154.75
Feb	150.25	154.00	154.25	152.00
Mar	149.50	150.00	149.50	147.50
Apr	145.25	148.00	145.50	143.50
May	141.00	142.00	142.50	140.50
Jun	140.00	142.00	140.25	139.25
Jly	142.75	143.75	142.75	140.00
Aug	140.00	142.00		

Turnover: 6401 (7088) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	111.75	112.10	111.75	111.15
Mar	113.85	114.50	114.00	113.60
May	116.00	116.60	116.30	115.85
Jly	118.25	118.80	118.75	118.30
Sep	103.40	103.60	103.40	
Nov	105.40	105.65	105.50	105.40
Jan	108.20	108.40	108.40	108.20
Barley	**Close**	**Previous**	**High/Low**	
Jan	107.70	107.90	107.70	107.65
Mar	109.60	109.75	109.65	109.30
May	110.55	110.85	110.55	110.35
Sep	98.20	98.30	98.20	
Nov	100.70	100.80		
Jan	102.95	102.80		

Turnover: Wheat 474 (179), Barley 66 (122) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,000 tonne
Cash	1960-80	1980-200		1960-70		
3 months	1870-90	1880-900	1870/1855	1855-65	1890-900	3,224 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 21,850 tonne
Cash	1087-91	1080-5	1092/1090	1089-90		
3 months	1034-5	1022-3	1042/1030	1032-3	1043-4	49,892 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,850 tonne
Cash	1640-5	1576-80	1640/1615	1615-25		
3 months	1458-60	1428-30	1475/1430	1453-5	1455-6	76,109 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1530-50	1500-10		1530-5		
3 months	1430-60	1400-10		1430-5		63 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	700-3	651-4		667-70		
3 months	711-5	662-5		679-82	710-5	647 lots
Lead (£ per tonne)						Ring turnover 6,775 tonne
Cash	361-2	361-3	363.5/361	363-3.5		
3 months	352-3	352-2.5	359/351	353.5-4	352-3	11,814 lots
Nickel (£ per tonne)						Ring turnover 1,728 tonne
Cash	4670-80	4510-20	4650/4670	4600-50		
3 months	4475-85	4350-60	4490/4460	4565-70	4470-80	8,214 lots
Zinc (£ per tonne)						Ring turnover 10,325 tonne
Cash	478-80	465-8		479-80		
3 months	484-5	471.5-2	485/481	485.5-6	481-2	12,028 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	98.00	99.30	100.00	
Mar	97.50	97.50		
Apr	142.00	143.70	143.30	142.00
May	155.80	157.70	156.20	155.80
Nov	85.00	88.00		
Feb	95.00	95.00		

Turnover: 247 (77) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Feb	141.50	143.00	141.50	
Apr	134.40	133.50	134.50	134.00
Jun	125.20	126.40	124.50	
Aug	121.00	121.00		
Oct	121.00	122.00	120.50	
Dec	123.00	123.00		
Feb	125.00	126.00		

Turnover: 82 (10) lots of 100 tonnes.

FREIGHT FUTURES $/index point

	Close	Previous	High/Low	
Jan	1348.0	1335.0	1348.0	1335.0
Apr	1391.0	1365.0	1394.0	1374.0
Jly	1228.5	1212.5	1241.0	1225.0
Oct	1320.0	1305.0	1320.0	1315.0
BFI	1284.5	1270.0		

Turnover: 459 (560)

WOOL

World values will not be tested at auction until next week and there are no signs so far of a trade improvement in anticipation of a renewed price rise. Production in the UK industry is back to normal after the long holiday. Order books are still reasonably good though inevitably shorter after several weeks of slow trade. There is satisfaction in most sectors with the call for deliveries. Currency fluctuations continue to enhance price uncertainties from day to day but the chief anxiety concerns competition from imported clothing which may be assisted by US dollar weakness. Bradford top quotations are largely unchanged with 64s super at 484p per kg, 58s super at 364p and 50s carded at 336p.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	485½-486	268¾-269¼
Opening	481-481½	265¾-266¼
Morning fix	481.60	265.501
Afternoon fix	481.40	267.225
Day's high	485¼-485¾	
Day's low	476¾-477¼	
Coins	**$ price**	**£ equivalent**
US Eagle	495-500	274-277
Maple leaf	498-504	276-279
Britannia	499-504	276-279
Krugerrand	485-488	268-270
1/2 Krug	259-269	[illegible]
1/4 Krug	134-142	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	49-54	27-30
New Sov.	114¼-115¼	63¼-64¼
Old Sov.	114¼-115¾	63¼-64
Noble Plat	517-525	[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	373.95	675.00
3 months	382.65	688.25
6 months	390.40	699.20
12 months	407.95	725.25

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1800	172	140	41	75
1900	111	92	79	125
2000	67	[illegible]	134	188
Aluminium (99.5%)	**Calls**		**Puts**	
1750	187	150	34	75
1800	122	100	69	122
1850	75	64	130	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
2450	[illegible]	[illegible]	[illegible]	[illegible]
2600	220	203	212	319
2750	250	[illegible]	[illegible]	[illegible]

US MARKETS

Early weakness in the precious metals reflected overnight strength in the US dollar, reports Drexel Burnham Lambert. However, good commission house and trade buying, especially in silver, which led the precious metals, touched off stops and the markets closed higher. In copper a continuing technical reaction eased prices although there were indications of underlying strength. Energy futures were quiet and easier as the markets tended to consolidate following recent strength. Sugar fell on speculative, commission house and fund liquidation which touched off stops in the face of scale-down trade buying as the market corrected an overbought situation. Short-covering and position-squaring firmed the meat markets. This reflected the continued cold weather and anticipation of a pig crop report showing expanded production. Reports from the US-Soviet meeting in London indicating the possibility of the Soviet Union purchasing large quantities of maize and wheat lifted both futures markets. Professional buying firmed the soyabeans and oil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	483.3	480.0	484.0	482.0
Feb	485.4	482.4	487.4	480.0
Apr	487.9	485.8	492.5	482.5
Jun	491.2	489.1	495.5	486.5
Aug	495.0	492.5	498.0	490.0
Oct	503.3	500.7	503.8	500.1
Dec	507.3	504.6	509.2	506.2
Feb	513.8	510.0	[illegible]	[illegible]
Apr	519.3	[illegible]	517.5	512.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	509.5	504.8	511.5	500.0
Apr	515.0	510.5	518.8	505.6
Jly	521.8	516.8	525.0	512.5
Oct	531.1	525.5	531.0	521.0
Jan	539.7	534.0		

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	706.9	664.5	700.0	680.0
Feb	710.7	668.7	0	0
Mar	714.5	692.5	719.0	712.5
May	724.3	702.5	727.0	695.0
Jly	733.6	711.6	735.0	703.0
Sep	743.4	720.8	745.0	712.0
Dec	758.4	735.5	760.0	728.0
Jan	764.2	740.1	0	0
Mar	773.1	750.4	746.0	746.0
May	785.8	761.3	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	134.00	140.00	137.00	130.50
Feb	125.55	131.40	0	0
Mar	118.30	122.60	122.40	118.20
May	104.00	107.20	108.00	103.50
Jly	93.00	95.40	96.00	92.60
Sep	89.00	91.00	90.00	90.00
Dec	87.50	89.00	90.00	87.50
Jan	87.20	88.50	0	0
Mar	86.50	88.00	89.00	89.00
May	86.70	88.00		

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	17.77	17.85	17.88	17.63
Mar	17.58	17.66	17.67	17.44
Apr	17.44	17.52	17.56	17.32
May	17.36	17.40	17.45	17.23
Jun	17.27	17.30	17.35	17.14
Jly	17.25	17.22	17.25	17.13
Aug	17.15	17.14	[illegible]	[illegible]
Sep	16.95	17.06	16.99	16.90
Oct	17.05	16.96	16.96	[illegible]
Nov	16.75	16.90	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	53.35	53.59	53.70	53.15
Mar	50.75	50.85	51.05	50.25
Apr	48.35	48.45	48.55	47.80
May	46.60	46.88	47.05	46.50
Jun	46.00	46.29	46.35	45.75
Jly	46.19	46.28	46.10	45.95

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1865	1884	1904	1879
May	1913	1913	1938	1905
Jly	1940	1960	1955	1935
Sep	1948	1940	1955	1935
Dec	1974	1968	1975	1965
Mar	2000	2006	2015	2000
May	2054	2062	2062	2062

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	128.58	127.94	128.70	128.05
May	130.97	130.33	131.25	130.50
Jly	133.15	132.30	133.25	132.70
Sep	135.00	134.80	135.00	135.00
Dec	137.50	136.90	137.50	137.50
Mar	140.90	140.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.18	9.73	9.60	9.16
May	9.28	9.72	9.56	9.28
Jly	9.35	9.87	9.67	9.30
Sep	9.42	9.79	9.70	9.40
Oct	9.51	9.86	9.80	9.51
Jan	9.61	9.90	9.80	9.50
Mar	9.73	10.05	9.98	9.70

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.20	65.93	66.45	65.40
May	66.45	66.22	66.70	65.90
Jly	67.03	67.15	67.30	66.40
Oct	64.55	64.55	64.55	63.55
Dec	63.15	63.13	63.55	62.60
Mar	64.10	64.12	0	0
May	64.55	64.37	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	164.50	164.40	166.00	164.30
Mar	167.15	168.55	168.25	166.20
May	165.15	167.55	168.70	167.60
Jly	167.00	167.00	167.95	167.55
Sep	164.75	166.00	166.05	165.75
Nov	162.95	163.00	163.00	163.00
Jan	161.25	159.95	0	0
Mar	161.25	159.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 5	Jan 4	mnth ago	yr ago
1762.2	1745.2	1689.3	1634.6

DOW JONES (Base: December 31 1974 = 100)

Spot	133.86	133.28	130.20	114.29
Futures	138.16	133.36	132.80	115.14

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	626/0	614/2	626/0	614/0
Mar	633/4	621/2	634/0	622/4
May	643/0	629/4	643/4	630/4
Jly	646/6	633/6	647/0	635/0
Aug	645/0	631/6	645/0	633/4
Sep	635/0	622/0	635/0	625/0
Nov	632/4	619/2	633/0	617/4
Jan	639/4	625/4	640/0	624/0
Mar	645/0	632/0	645/0	645/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	21.60	21.18	21.60	21.33
Mar	21.86	21.32	21.90	21.70
May	22.16	21.59	22.20	21.95
Jly	22.28	21.70	22.25	22.10
Aug	22.49	22.07	22.50	22.16
Sep	22.38	22.05	22.50	22.08
Oct	22.30	22.06	22.30	22.00
Dec	22.26	22.05	22.40	22.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	199.8	200.2	201.5	199.0
Mar	193.1	192.6	195.0	191.8
May	187.8	186.9	189.5	185.8
Jly	185.4	183.9	186.0	183.0
Aug	184.5	182.2	185.0	182.0
Sep	184.5	182.2	185.0	182.0
Oct	181.8	181.5	185.0	182.0
Dec	184.0	181.5	184.0	183.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	191/0	187/4	191/0	188/2
May	198/2	193/2	197/4	193/4
Jly	199/6	197/2	199/6	197/2
Sep	201/6	198/2	201/6	200/4
Dec	206/4	202/4	206/4	201/2
Mar	215/6	211/4	215/0	215/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	331/4	320/0	331/4	320/4
May	330/0	317/4	331/0	317/4
Jly	317/0	303/2	317/0	305/0
Sep	320/0	306/6	320/0	309/0
Dec	330/0	321/4	334/0	321/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	64.72	64.12	64.75	64.20
Apr	66.67	65.87	66.70	66.00
Jun	65.75	65.17	65.80	65.25
Aug	63.60	63.17	63.60	63.05
Oct	62.57	62.10	62.50	62.00
Dec	62.80	62.25	62.77	62.55
Feb	62.20	61.90	62.30	62.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.47	42.55	43.55	42.50
Apr	40.05	39.32	40.42	39.35
Jun	43.90	43.40	44.00	43.40
Jly	43.77	43.50	44.70	43.50
Aug	42.10	41.70	42.20	41.85
Oct	38.72	38.55	38.75	38.50
Dec	39.85	39.75	40.00	39.80
Feb	39.85	40.00	40.00	39.80

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.15	51.57	52.80	51.85
Mar	52.40	52.05	52.85	51.85
May	53.22	52.90	53.80	52.95
Jly	53.85	53.65	54.50	53.35

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

A nervous and volatile dollar

TRADING WAS volatile on the foreign exchanges yesterday. The dollar was very nervous, influenced by various rumours which led to some wide variations.

During the European afternoon the US currency rose to a peak of DM1.67, following a report from Japan that the US authorities had agreed with West Germany and Japan to intervene if the dollar threatened to move outside a range of Y130 to 140 against the yen.

There was no comment from the West German Bundesbank or USFederal Reserve on the rumour, and this eventually led to profit taking, pulling the US currency back to close around the middle of the day's range.

It was also rumoured the Bundesbank sold dollars at around DM1.6650, but this report had little credibility, and was regarded as another sign of the general nervousness within the market.

Apart from sporadic support for the dollar by the Bank of Japan in Tokyo, there was no sign of any other central bank intervention.

Dealers were left to ponder on whether the Federal Reserve is serious in its determination not to let the dollar fall. The next test or guidance may be provided by publication of the US trade figures at the end of next week.

The dollar rose to DM1.6495 from DM1.6270; to FFr5.5775 from FFr5.5025; to SFr1.3460 from SFr1.3265; and to Y129.70 from Y126.90.

On Bank of England figures the dollar's index rose to 94.2 from 93.0.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index fell 0.1 to 75.3, compared with 72.8 six months ago.

Sterling declined against the dollar, but was otherwise little changed. The underlying tone was nervous, influenced by the volatile dollar and a weakening of North Sea oil prices.

As the dollar continued to improve, the pound fell 2½ cents to $1.8045-1.8055, and also eased to FFr10.0675 from FFr10.07, but was unchanged at DM2.9775, while rising to SFr2.43 from SFr2.4275; and to Y234 from Y232.25.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. December average 1.6354. Exchange rate index 150.9 against 146.6 six months ago.

The D-Mark continued to fall back against the dollar, after a hectic day's trading in Frankfurt. The US currency was volatile, with dealers commenting the market was in a state of complete madness, amid very big movements. The dollar closed at DM1.65225, compared with DM1.6285 on Tuesday, but well down from the peak of DM1.6700 touched in the early afternoon.

At the Frankfurt fixing the Bundesbank did not intervene when the dollar was set at DM1.6460, compared with DM1.6128 previously.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. December average 128.45. Exchange rate index 235.7 against 214.8 six months ago.

The yen was a little weaker against the dollar in Tokyo, but trading was nervous, amid reports that Japanese traders continued to look for opportunities to sell the US currency. The dollar opened at Y128.20 and rose above Y129.00 on a report that the Group of Seven had agreed to hold the currency between Y125 and Y130. This was later denied by a Bank of Japan official, pushing the dollar back to Y127.15 at the Tokyo close, from Y124.80 on Tuesday.

There was a little intervention by the Bank of Japan, but this seemed to be confined to preventing the dollar falling below Y127.00.

£ IN NEW YORK

Jan.6	Latest	Previous Close
£ Spot	1.8035-1.8045	1.8495-1.8505
1 month	0.26-0.24pm	0.28-0.27pm
3 months	0.76-0.72pm	0.76-0.73pm
12 months	2.82-2.72pm	2.95-2.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.6	Previous
8.30 am	75.4	76.0
9.00 am	75.4	76.0
10.00 am	75.5	76.0
11.00 am	75.3	76.0
Noon	75.2	75.8
1.00 pm	75.2	75.8
2.00 pm	75.1	75.7
3.00 pm	75.2	75.3
4.00 pm	75.3	75.4

CURRENCY RATES

Jan.6	Bank rate %	Special Drawing * Rights	European Currency Unit
Sterling	-	0.755792	0.693488
U.S Dollar	6	1.39746	1.24724
Canadian $	8.75	1.81139	1.61081
Austrian Sch.	3	15.8887	14.5378
Belgian Franc	7	47.1957	43.1887
Danish Krone	7½	8.66775	7.94241
Deutsche Mark	2½	2.25382	2.06863
Neth.Guilder	3½	2.53569	2.32186
French Franc	9½	7.61825	6.98079
Italian Lira	12½	1659.69	1515.39
Japanese Yen	2½	173.285	162.390
Norway Krone	8	8.79352	7.98419
Spanish Peseta	-	153.651	139.316
Swedish Krona	7½	8.19191	7.45848
Swiss Franc	2½	1.83486	1.68252
Greek Drach.	20½	179.511	164.635
Irish Punt	-	N/A	0.776563

SDR rates are for Jan.5

CURRENCY MOVEMENTS

Jan.6	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.3	-18.4
U.S Dollar	94.2	-13.1
Canadian Dollar	78.0	-9.9
Austrian Schilling	142.1	+10.8
Belgian Franc	101.3	-4.3
Danish Krone	94.3	+3.2
Deutsche Mark	150.9	+23.8
Swiss Franc	181.2	+26.7
Guilder	139.2	+16.0
French Franc	72.6	-12.7
Lira	47.6	-18.6
Yen	235.7	+80.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Jan.6	£	$
Argentina	9.5585-9.6570	5.3000-5.3500
Australia	2.5540-2.5570	1.4180-1.4190
Brazil	131.60-132.30	72.975-73.340
Finland	7.2720-7.2965	4.0340-4.0360
Greece	234.80-239.05	128.65-130.95
Hong Kong	14.0240-14.0410	7.7770-7.7820
Iran	122.00*	65.30*
Korea(Sth)	1438.35-1451.40	788.10-795.30
Kuwait	0.49330-0.49380	0.27315-0.27325
Luxembourg	34.50-34.60	62.30-62.40
Malaysia	4.5475-4.5695	2.5290-2.5390
Mexico	4056.75-4077.05	2250.00-2260.00
N. Zealand	2.7905-2.7955	1.5490-1.5515
Saudi Ar.	6.7750-6.7800	3.7515-3.7520
Singapore	3.6505-3.6715	2.0290-2.0390
S. Af (Cm)	3.5420-3.5580	1.9665-1.9705
S. Af (Fn)	5.5525-5.7285	3.0770-3.1745
Taiwan	51.80-52.05	28.50-28.60
U.A.E.	6.6325-6.6380	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1887	+1.72	+0.98	±1.5344
Danish Krone	7.85212	7.94241	+1.15	+0.41	±1.5404
German D-Mark	2.05853	2.06505	+0.32	-0.42	±1.0981
French Franc	6.90403	6.98079	+1.11	-0.37	±1.3674
Dutch Guilder	2.31943	2.32186	+0.10	-0.64	±1.5012
Irish Punt	0.768411	0.776563	+1.06	+0.32	±1.6684
Italian Lira	1483.58	1515.39	+2.14	+1.84	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7875-1.8285	1.8045-1.8055	0.26-0.23cpm	1.63	0.75-0.70pm	1.61
Canada	2.3242-2.3597	2.3250-2.3260	0.09dis-0.03cpm	-0.15	0.27-0.07pm	0.88
Netherlands	3.33¾-3.35¼	3.34-3.35	1¼-1⅛cpm	2.02	3⅞-3⅝pm	4.33
Belgium	62.22-62.45	62.30-62.40	11-8cpm	1.83	37-31pm	2.18
Denmark	11.42¾-11.50¾	11.45¾-11.46¾	⅜-1¼oredis	-0.79	1¼-2dis	-0.55
Ireland	1.1189-1.1232	1.1205-1.1215	0.04-0.08pdis	-0.64	0.05-0.15dis	-0.36
W. Germany	2.97¼-2.98½	2.97¼-2.98¼	1⅜-1¼pfpm	5.29	4⅛-3⅞pm	5.37
Portugal	242.45-246.14	243.60-244.60	92-148cdis	-5.90	182-377dis	-4.58
Spain	200.41-202.92	200.50-200.80	61-90cdis	-4.52	154-203dis	-3.56
Italy	2183¾-2195½	2186¼-2187¼	3-5liredis	-2.20	9-14dis	-2.10
Norway	11.49¼-11.58¼	11.52-11.53	5⅛-6oredis	-5.99	16⅛-17¼dis	-5.88
France	10.04¾-10.07¾	10.06¼-10.07¼	⅛-parcpm	0.15	¼pm-¼dis	-0.02
Sweden	10.73¾-10.80½	10.76¼-10.77	½-⅛orepm	0.35	⅛-⅜dis	-0.16
Japan	231½-234¾	233½-234½	1-⅞ypm	4.81	2⅞-2⅝pm	4.59
Austria	20.91-21.05	20.95-20.98	8½-7⅛gropm	4.58	24⅞-22⅛pm	4.50
Switzerland	2.42-2.43¾	2.42½-2.43½	1⅜-1¼cpm	6.48	3⅞-3⅝pm	5.97

Belgian rate is convertible francs. Financial franc 62.40-62.50. Six-month forward dollar 1.46-1.41cpm 12 month 2.82-2.72cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7875-1.8285	1.8045-1.8055	0.26-0.23cpm	1.63	0.75-0.70pm	1.61
Ireland†	1.6015-1.6390	1.6085-1.6095	0.13-0.08cpm	0.79	0.48-0.38pm	1.07
Canada	1.2880-1.2926	1.2885-1.2895	0.14-0.18cdis	-1.49	0.39-0.46dis	-1.32
Netherlands	1.8900-1.8760	1.8525-1.8535	1.44-0.40cpm	2.69	1.27-1.22pm	2.66
Belgium	34.05-34.80	34.50-34.60	2dis-par	-0.35	8-2pm	0.58
Denmark	6.26¼-6.40	6.34½-6.35	0.65-1.25oredis	-1.79	2.45-3.05dis	-1.72
W. Germany	1.6275-1.6700	1.6490-1.6500	0.53-0.50pfpm	3.71	1.58-1.53pm	3.74
Portugal	135¾-137½	135½-136	70-100cdis	-7.45	215-265dis	-7.01
Spain	110.60-111.10	111.00-111.10	45-65cdis	-5.87	125-155dis	-4.98
Italy	1198-1218	1211¼-1211¾	3.00-4.00liredis	-3.43	10.00-13.00dis	-3.76
Norway	6.31-6.44	6.38½-6.39	3.85-4.20oredis	-7.51	11.55-11.95dis	-7.31
France	5.50¼-5.62	5.57½-5.58	0.60-0.80cdis	-5.64	2.10-2.45dis	-4.84
Sweden	5.90½-5.99	5.96¼-5.96¾	0.60-0.75oredis	-1.35	2.40-2.80dis	-1.74
Japan	126.80-131.60	129.85-129.75	0.34-0.31ypm	2.97	0.97-0.93pm	2.89
Austria		11.44¾-11.45	2.70-2.40gropm	2.61	8.50-7.50pm	2.73
Switzerland	1.3265-1.3620	1.3455-1.3465	0.56-0.52cpm	4.77	1.46-1.41pm	4.23

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.55-34.65.

EURO-CURRENCY INTEREST RATES

Jan.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Jan.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.412	0.743	1.226	96.30	4.144	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.540	0.890	69.96	3.010	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.457	0.825	1.362	107.0	4.604	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.430	0.776	1.280	100.6	4.329	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.604	2.895	4.776	375.3	16.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts remain on the defence

"CENTRAL BANKS may have won the battle but not necessarily the war," was how one trader summed up trading in yesterday's Liffe market. The performance of sterling and the dollar remained all important but dealers were still finding it difficult to erase the idea that the dollar was ultimately destined for another fall.

Long gilt futures attracted good volume, but trading remained uninspired in the absence of any economic data to use in establishing a trend. The bearish undertone remained, but short covering at the day's lows underlined the lack of conviction.

The latest tap offering attracted few friends, and a sense of unease about a possible overheating in the domestic economy tended to undermine confidence. One dealer was more succinct when suggesting that values fell, "in the absence of any reason to be optimistic."

Prices slipped after the weaker opening, and the closing March price of 117-14, although a recovery from a low of 117-03, was still down from the opening of 117-18 and Tuesday's close of 118-02. Sterling's recovery in the afternoon and its steady tone against the D-Mark helped to improve sentiment later in the day.

US Treasury bonds failed to capitalise on the dollar's improvement but this did not prevent gilt values from moving above the day's lows. Gilts have failed to match the performance of US bonds recently and this diminished the effect of a weaker bond market. March bond futures opened at 89-00 down from 89-05 and finished at the day's low of 88-19.

Three-month sterling again flirted with a 90.80 support level and dipped to 90.74 for March delivery before coming back to finish at 90.83 against 90.86

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	2.41	3.55	1.13	2.33
118	1.36	2.55	2.08	3.33
120	0.55	2.02	3.27	4.44
122	0.28	1.28	5.00	6.06
124	0.13	0.62	6.49	7.40
126	0.06	0.40	8.42	9.18
128	0.03	0.26	10.39	11.04
130	0.01	0.16	12.37	12.58

Estimated volume total, Calls 4033 Puts 2512
Previous day's open int: Calls 27738 Puts 13712

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	6.55	6.46	0.17	1.06
84	5.11	5.20	0.37	1.44
86	3.38	4.06	1.00	2.30
88	2.11	3.05	1.37	3.29
90	1.14	2.15	2.40	4.39
92	0.44	1.38	4.06	5.62
94	0.25	1.06	5.51	7.30
96	0.12	-	7.38	-

Estimated volume total, Calls 35 Puts 45
Previous day's open int: Calls 844 Puts 948

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
16000	20.81	22.45	0.31	1.95
16500	16.27	18.56	0.77	3.06
17000	-	-	-	-
17500	8.59	11.97	3.09	6.47
18000	5.73	9.34	5.23	8.84
18500	3.59	7.13	8.09	11.63
19000	2.11	5.34	11.61	14.84
19500	1.16	-	15.66	-

Estimated volume total, Calls 0 Puts 10
Previous day's open int: Calls 35 Puts 54

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE- EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE MONTH EURODOLLAR $1m points of 100%

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING $e per £

LIFFE-STERLING £25,000 $ per £

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

STANDARD & POORS 500 INDEX $500 times index

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

MONEY MARKETS

Bank helps out

ATTENTION CENTRED on short term rates in London yesterday. The Bank of England acted to offset a seasonal shortage of liquidity, by offering sale and repurchase facilities to banks on January 13, to mature on March 28. These will be equal to 1p.c. of banks' eligible liabilities which, if fully taken up, would amount to around £1.9bn. The expected shortfall until January 13 was eased by a £1.2bn sale and repurchase agreement, the maturity of which coincides with the introduction of the fresh facility.

UK clearing bank base lending rate 8½ per cent from December 4

Longer term rates were virtually unchanged, despite sterling's weaker trend. However the extent of the curve on yields out to one year was a firm indication that traders expected the next move in base rates to be upwards. Short term pressure was erased to some extent by the three month life on the Bank's special credit facility.

Three-month interbank money was unchanged at 9⅛-8$\frac{15}{16}$ p.c. while overnight money touched a low of 7 p.c. in the afternoon, from an opening level of 8⅞-8¾ p.c., before finishing nearer 9 p.c.

The Bank forecast a shortage of around £1,650m with factors affecting the market including repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills, draining £448m and the unwinding of previous sale and repurchase agreements a further £743m. Exchequer transactions accounted for £555m. On the other hand there was a fall in the note circulation of £95m.

In an early round of help, the Bank bought £73m of bills outright, comprising £8m of eligible bank bills in band 3 and £65m in band 4, all at 8¼ p.c. It also arranged sale and repurchase agreements on £1,200m of bills at 8$\frac{11}{16}$-8½ p.c., unwinding on January 13.

The forecast was revised to a shortage of around £1,550m and the Bank gave additional help in the morning of £127m through outright purchases of £5m of eligible bank bills in band 1, £80m in band 3 and £42m in band 4, all at 8¼ p.c. Further help in the afternoon came to £154m and was made up of £30m of eligible bank bills in band 1 and £124m in band 3. Late assistance came to £50m, making a total of £1,604m.

In Frankfurt, interest rates were steady ahead of today's meeting of the Bundesbank's central council. Most traders were not expecting a cut in interest rates just yet but conceded that the authorities were becoming increasingly concerned

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.6) 3 months US dollars | 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate | Broker loan rate | Fed.funds | Fed.funds at intervention

Treasury Bills and Bonds

[illegible]

Jan.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): [illegible]

Legal Notices

IN THE MATTER OF TEW (HOLDINGS) LTD AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113.

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up are required on or before the 8th day of February 1988 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajiroussos FCCA of Julia House, 3 Them. Dervis Street, P.O. Box 1612, Nicosia, Cyprus the liquidator of the said company, and if so required by notice in writing from the said liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 7th day of January 1988
A Hajiroussos FCCA
Liquidator

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$460	–	–	36	42	–	–	$482.20
GOLD C	$480	46	15.50	–	–	–	–	$482.20
GOLD C	$500	25	7.60	55	21	–	–	$482.20
GOLD C	$520	27	3	59	13.50	–	–	$482.20
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$750	135	20	–	–	–	–	$684
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	FL 160	56	21	–	–	–	–	FL 180.10
EOE Index C	FL 165	56	16	12	21	–	–	FL 180.10
EOE Index C	FL 170	62	11	24	18	5	19	FL 180.10
EOE Index C	FL 175	182	7.80	9	13.30	–	–	FL 180.10
EOE Index C	FL 180	328	4.30	224	10	77	14.80	FL 180.10
EOE Index C	FL 185	673	3	115	8.50	133	10	FL 180.10
EOE Index C	FL 190	104	1.40 B	–	–	–	–	FL 180.10
EOE Index C	FL 195	31	0.80	–	–	–	–	FL 180.10
EOE Index C	FL 200	408	0.30	–	–	–	–	FL 180.10
EOE Index P	FL 155	3	0.30	51	1.20	–	–	FL 180.10
EOE Index P	FL 165	39	0.50	36	3.50 B	–	–	FL 180.10
EOE Index P	FL 170	68	1.50	161	5.80	4	8	FL 180.10
EOE Index P	FL 175	64	2.80	23	6.50	–	–	FL 180.10
EOE Index P	FL 180	91	4.50	94	9	2	12.90	FL 180.10
EOE Index P	FL 185	139	7.30	42	12.50	–	–	FL 180.10
EOE Index P	FL 190	64	10	–	–	–	–	FL 180.10
EOE Index P	FL 195	33	16	–	–	–	–	FL 180.10
$/FL C	FL 180	539	6	79	7	56	7 B	FL 185.60
$/FL C	FL 185	1196	2 B	596	4.30	371	4.70	FL 185.60
$/FL C	FL 190	1141	0.80	1135	2.30	108	2.50	FL 185.60
$/FL C	FL 195	40	0.10	–	–	20	1.50	FL 85.60
$/FL C	FL 200	–	–	–	–	35	1	FL 185.60
$/FL P	FL 175	–	–	15	1.40	104	1.30 A	FL 185.60
$/FL P	FL 180	131	0.30	66	1.80	117	3.05	FL 185.60
$/FL P	FL 185	43	1.70 B	566	4	143	4.50	FL 185.60
		Jan. 88		Apr. 88		Jul. 88		
ABN C	FL 40	476	0.80	387	2.90	15	4	FL 39.70
ABN P	FL 46	50	6.70	169	6.40	–	–	FL 39.70
AEGON C	FL 65	57	1	61	4	2	5.80	FL 62.20
AKZO C	FL 90	351	2.70	107	9	–	–	FL 90
AKZO P	FL 100	24	10.50	2	14	580	19.30	FL 90
AMEV C	FL 45	68	0.20	113	2	11	3	FL 40.40
AMRO C	FL 60	43	1.30	249	4.10	–	–	FL 59.60
AMRO P	FL 60	30	1.40	54	3.80	–	–	FL 59.60
ELSEVIER C	FL 45	490	2	93	4.40	5	6.50	FL 45.50
ELSEVIER P	FL 45	69	1.50	7	4	7	7	FL 45.50
GIST-BROC. C	FL 25	26	0.90	79	2.70	5	4.30	FL 24.20
GIST-BROC. P	FL 22.50	–	–	19	1.70	34	3.20	FL 24.20
HEINEKEN C	FL 130	130	7 A	36	13.50	–	–	FL 134
HEINEKEN P	FL 130	13	2.50	35	8	–	–	FL 134
HOOGOVENS C	FL 35	414	0.40	83	1.30	–	–	FL 27.30
KLM C	FL 35	414	0.40	378	2.10	85	3.30	FL 31.50
KLM P	FL 30	60	0.40	167	2.20	7	3.70	FL 31.50
NEDLLOYD C	FL 150	229	4.50	51	15	22	18	FL 138
NEDLLOYD P	FL 140	95	9	42	17.50	–	–	FL 138
NAT.NED. C	FL 55	232	0.70	363	2.60	26	4.40	FL 51.70
PHILIPS C	FL 30	45	0.30	389	1.30	57	2.20	FL 27.40
PHILIPS P	FL 25	20	0.20	204	1.50	52	2.30	FL 27.40
ROYAL DUTCH C	FL 210	892	5.80	421	13.40	65	16	FL 212
ROYAL DUTCH P	FL 220	18	9	280	15	–	–	FL 212
ROBECO C	FL 85	114	2.80	17	5	–	–	FL 85.30
ROBECO P	FL 75	7	0.10	911	2.40	6	4	FL 85.30
UNILEVER C	FL 108	384	3.60	–	–	–	–	FL 108.50
UNILEVER P	FL 108	216	2.40	–	–	–	–	FL 108.50

TOTAL VOLUME IN CONTRACTS : 41,001

A=Ask B=Bid C=Call P=Put

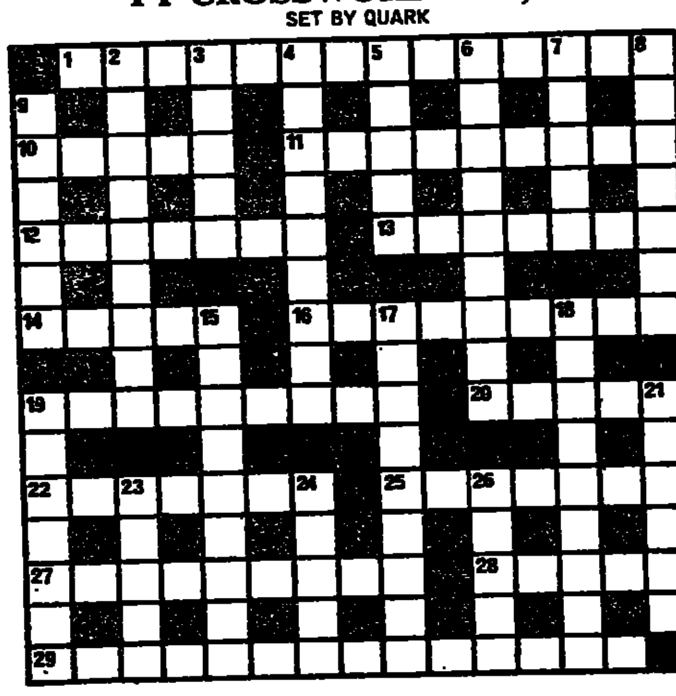
BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Intl(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	9½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l TstC'p plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec.	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Sec. Ltd	9½	TSB	8½
Bank Hapoalim	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank Credit & Comm	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of India	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Bank of Scotland	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Barclays Bank	8½	● Hill Samuel	§8½		
Benchmark Tst Ltd	8½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	8½	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Banking Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,523

SET BY QUARK



ACROSS

1 Imagine this place in Australia (5-5-4)
10 The full edition is without trimmed pages (5)
11 Method of ringing changes in red rags (9)
12 Such as puts getting break before having the facility? (7)
13 Chars papers (7)
14 Rates – part of system picked out for consideration (5)
16 This groundsman's sure to be possessive (9)
19 Outsider in society (3-6)
20 Get rid of some Sussex pelts (5)
22 A hat met abroad (for subjects) (7)
25 Certainly not? (2,5)
27 'Age of Man' is a game (6-3)
28 Man's brain working (5)
29 Could provide knotty problem. (How long is it?) (1,5,2,6)

DOWN

2 Tax collector examines hundred showing irregularities (9)
3 Real things (essentially central) (5)
4 Spot after dark? (9)
5 It's six and after for something to eat (5)
6 Turn over gold in rough theatrical production (9)
7 Politician in first class excuse (5)
8 Piece of furniture required backstage (7)
9 It could be imposing in the summer (6)
15 Not in for a long stretch (9)
17 Never sins violently, showing apprehension (9)
18 Write up to capacity, man, about the sea (9)
19 Number the painter endlessly in the register (7)
21 Illuminated whatever by prayer (6)
23 Contribution to enamel emission used in varnish (5)
24 In the past, turn as much as one likes (1,4)
26 Exclude crumbly bread here (5)

Solution to Puzzle No.6,522

REPENT USEDCARS
E A O S N E N E
SOLITAIRE TWIST
P I E M E A T T
ERSE APPRECIATE
C A F L E H R
TADPOLE REMADE
S E R E E R
ADVENT MONOCLE
R C E I T O V
INSTALMENT FREE
B P S P U A A R
ALLOT ENTERITIS
N A E R E E O E
DAYDREAM HATRED

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6893/4/5

Scimitar Global Gth Ac.	26.6	28.3	+0.7	–
Do. Income	26.4	28.1	+0.7	0.19
Scimitar European Acc.	21.4	22.8	-0.6	–
Do. Income	21.4	22.8xd	+0.6	0.11
Scimitar UK Eq Inc Acc.	36.1	38.1	+0.8	–
Do. Income	34.6	36.8	+0.8	4.37
UK Cap Gth Acc.	22.8	24.0	+0.8	0.75
Scimitar Pac Basin Acc.	25.0	26.7	+0.5	–
Scimitar Mangd Exempt*	139.8	145.7	-0.1	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intal Income Units	123.6	131.5	–	3.37
Intal Accum Units	189.0	201.1	–	3.33
UK General Acc.	37.3	39.8	+0.5	3.11
UK General Inc.	35.8	38.3	+0.5	3.11
American	36.7	38.6	+0.5	0.66
European	34.0	36.4xd	+1.3	0.94
Japan	50.8	54.3	+2.6	–
Technology	34.4	36.8	+0.7	1.42
Performance Trusts				
Far East Perf Tst.	16.7	17.9	+0.8	0.64
High Inc Perf Tst Inc.	23.7	25.3	+0.2	5.37
High Inc Perf Tst Acc.	24.1	25.8	+0.2	5.37
Worldwide Tech Perf Tst.	26.7	28.6	+0.7	–

Scottish Life Investments(x)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	206.6	221.0	+2.2	2.73
Columbus (America)	128.0	135.7	+5.3	1.31
Marco Polo (Pacific)	195.6	209.2	+11.7	0.37
Da Vinci (European)	208.2	222.7	+7.7	1.89
Scale	49.5	53.0	+0.8	2.94

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	198.4	211.1	+1.9	3.02
UK Smlr. Cos. Equity	199.2	212.0	+1.7	2.42
UK Special Situations	56.9	60.6	+1.0	2.22
Income Plus	50.2	53.4	+0.3	5.98
European	153.9	163.1	+1.2	1.87
Far Eastern	49.6	52.8	+1.1	2.78
Japanese T	48.1	51.2	+3.0	0.25
North American	112.1	119.3	+2.3	1.78
International Growth	104.7	111.4	+2.4	2.71
Worldwide Venture	51.7	55.0	+0.5	2.42

Touche Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Jan04 88	201.1	211.7	–	3.27

Trifon Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester C01 1RA 0206 764400

Trifon General	150.1	160.5	+2.1	1.46

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & Gilt	57.6	61.1xd	+0.2	6.68
Accum Units	58.6	62.2	+0.2	–
Income	78.2	83.9	+0.4	4.14
Accum Units	78.2	83.9	+0.4	–
Smaller Co's	84.4	89.7	+0.8	1.41
Accum Units	84.6	89.7	+0.8	–
UK Growth	87.4	92.6	+0.7	1.46
Accum Units	87.4	92.6	+0.7	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40035

British Growth Fd.	55.3	58.9	+0.5	1.27
Technical Analysis Fd.	50.5	53.8	+0.3	1.86

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064

Friars Hse Cap Fd.	166.7	177.3xd	–	1.21
Friars Hse Inc Fd.	145.4	155.0xd	–	3.42

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	167.1	177.7	+1.8	4.31

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Abingdon Rets Accum	160.7	171.0	–	–
(Accum Units)	163.8	174.3	–	2.49
Far East & Gen.	49.5	52.7	+2.5	0.28
(Accum Units)	49.5	52.7	+2.5	–
Master Portfolio	65.248	66.921	+1.598	3.05
(Accum Units)	66.768	68.480	+1.629	–
American & Gen.	53.3	56.7	+1.3	1.08
(Accum Units)	54.1	57.6	+1.4	–
Growth	211.3	224.8	+7.4	2.47
(Accum Units)	317.0	337.2	+11.0	–
High Yield	266.4	282.4	+10.0	4.54
(Accum Units)	280.4	298.3	+10.5	–
Special Sits.	51.2	54.5xd	+1.3	2.12

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	97⅝	Treas 7¾pc 1985–88‡‡	99⅞xd	—	7.76	8.99
102¼	99⅝	Exch 10½pc '88	100⅝	-⅛	10.45	8.88
101⅞	98⅞	Treas 9¾pc Cv '88	100⅛	-⅛	9.72	8.99
98¼	93¼	Transport 3pc '78–88	98¼	—	3.05	6.55
101⅝	98⅛	Treas. 9½pc '88	100⅛	-⅛	9.48	9.14
105⅞	101⅛	Treas 11½pc 1989	102⅛	-⅛	11.25	9.26
102⅛	97⅝	Treas 9½pc Cnv 1989	100⅛	-⅛	9.47	9.20
96¼	89¼	Treas 3pc 1989	95⅝	-⅛	3.14	6.53
104¾	99⅝	Treas 10½pc 1989	101½	-⅛	10.34	9.31
103¼	98⅛	Exch 10pc 1989	100⅞xd	-⅛	9.90	9.32
105¾	100¼	Exch 11pc 1989	102½	-⅛	10.73	9.36
96⅛	89⅛	Treas 5pc 1986–89	95⅛	-⅛	5.24	7.82
108¼	99⅝	Exch 10½pcCv '89	102⅝	-⅛	10.03	8.77
111⅛	104⅝	Treas 13pc 1990‡‡	106⅝xd	-⅛	12.18	9.27
106¼	100⅝	Exch 11pc 1990‡‡	103⅛xd	-⅛	10.66	9.30
110¼	103⅝	Exch. 12½pc 1990	106⅛	-⅛	11.77	9.51
92⅝	84½	Treas. 3pc 1990	91½	-⅛	3.28	7.04
100⅛	93⅝	Treas 8¼pc 1987–90‡‡	99⅛	-⅛	8.32	8.65
52¼	50	Tr. 8pc Cv 1990 (50pd)	50⅝	-⅛	8.16	8.90
105	97½	Treas. 10pcCv 1990	101⅝	-⅛	9.84	9.29
91⅛	81⅛	Exch 2½pc 1990	89⅝	-⅛	2.82	6.87
110¼	102⅝	Treas 11¾pc 1991	106⅛xd	-⅛	11.06	9.32
95⅛	87¼	Funding 5¾pc '87–91‡‡	93	-⅛	6.18	8.25
90⅛	80¼	Treas. 3pc 1991	87⅝		3.41	7.13
110¼	98⅝	Treas 10pc Cv '91 ‡‡	102⅝xd	-¼	9.71	8.99
109⅝	101⅝	Exch. 11pc 1991	105⅛	-⅛	10.45	9.31
99	91⅝	Treas. 8pc 1991	95⅝	-⅛	8.33	9.13
116⅛	107⅛	Treas 12¾pc 1992‡‡	110⅝xd	-⅛	11.48	9.40
106⅛	97⅝	Treas 10pc 1992	101⅞	-⅛	9.81	9.40
99¼	90⅝	Treas. 8pc 1992 ‡‡	95⅛	-⅛	8.36	9.23
108⅝	99¼	Treas 10½pc Cv 1992‡‡	103⅝	-⅛	10.11	9.39
86⅛	79⅛	Treas. 3pc 1992	84⅞	-¼	3.54	7.21
115⅝	105⅝	Exch. 12¼pc '92	109⅝	-⅛	11.14	9.52
121⅛	110⅝	Exch 13½pc 1992	114⅛	-½	11.78	9.55
		Five to Fifteen Years				
107⅛	97⅛	Treas 10pc 1993‡‡	101⅞	-⅛	9.81	9.51
118¼	107½	Treas 12½pc 1993‡‡	112⅛xd	-⅛	11.14	9.60
95⅞	82¼	Funding 6pc 1993‡‡	90¼		6.70	8.34
125⅛	113¼	Treas 13¾pc 1993‡‡	117⅞	-⅛	11.65	9.65
129⅝	117½	Treas 14½pc 1994‡‡	121⅝	-⅛	11.88	9.64

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BRITISH FUNDS — Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34	21	Rep NY Corpn $5	24½	+½	$1.16	–	2.6
18¼	8⅝	Rockwell Intl $1	13½	+⅞	66c	–	3.4
30⅞	16¾	Sara Lee $1(1/3)	20¾xd	+⅜	$1.00	–	2.7
11⅝	8⅝	Saul (B. F.) $1	9⅝	+¼	20c	–	1.2
27⅝	2¼	Southwestern Bell $1	19	+⅜	k$2.32	–	6.7
22⅞	994p	Staley Continental	11⅞	+½	80c	–	3.7
44⅞	21⅝	Sun Co. Inc. $1	28⅜	+⅛	$3.00	–	5.7
42¾	22⅞	TRW Inc. $0.625	26¾xd	+½	k$1.60	–	3.3
37⅞	21	Tenneco $5	23⅛xd	+1⅛	$3.04	–	7.1
220	149½	Do 10pcLn Stk. 91-5	195xd		10%	–	(4.7
29⅝	15⅛	Texaco $6.25	20⅝xd	+⅛	$3.00	–	8.1
74⅞	36⅞	Time Inc. $1	46⅞xd	+1⅛	$1.00	–	1.2
20⅞	11	Tracor $0.33(1/3)	17½xd		40c	–	1.3
30⅞	15	Transamerica $1	17½xd	+⅛	$1.84	–	5.8
14⅞	1¼	Transworld Corp $6	840p	+72	20c	–	1.3
27⅞	12¼	TRINOVA Corp	17½	+⅜	56c	–	1.8
24⅞	12⅝	USX $1	17½	+½	$1.20	–	3.8
37⅞	16⅝	Utd Technologies	19½xd	+¼	$1.40	–	3.9
38⅝	25⅛	US West	28		$3.28	–	6.4
30⅛	17⅞	Waste Management $1	21⅛	+¼	–	–	–
31⅝	11⅝	Whirlpool $1.0	14	+⅜	–	–	–
37⅞	16½	Woolworth $3½	20⅞	+⅝	$1.32	–	3.6

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	296p	+16	–	–	–
26¾p	10p	Accot Energy Corp	16½p		–	–	–
784p	506p	Amer Barrick Res	11	–¼	–	–	–
141p	5p	American Lightwave	5½p		–	–	–
122p	33p	Armeno	43½p		–	–	–
117p	39½p	Augmitto Expln	57p	+3	–	–	–
19⅞	10⅝	Bk. Montreal	12½xd	+⅛	$2.00	–	7.2
10⅛	489p	Bk. Nova Scot.	580pxd	+15	72c	–	5.2
20⅞	15	BCE	16	+½	$2.40	–	6.2
10⅛	531p	Bow Valley	628p	+13	40c	–	2.7
20	10¼	Brascan	12⅛	+½	88c	–	3.0
609p	186p	Breakwater Res	190p	+1	10c	–	2.2
12⅞	411p	Campeau Corp	768p		–	–	–
11⅝	734p	Can Imp.Bk. $2	853pxd	+31	$1.08	–	5.3

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES — Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	455	−15	†10.5	—	3.2	—
*£11½	793	Prudential	862	+9	†29.0	—	4.6	—
998	350	Refuge 5p	448	−5	15.75	—	4.8	—
995	945	Royal	428	−5	†h15.5	—	5.0	—
110	65	Sabre Ins. Inv.	75	+5	—	—	—	—
*345	168	Sedgwick Group 10p	228	+6	12.0	1.7	7.2	9.7
339	138	Steel Burrill 1.10p	180		†9.0	2.0	7.7	8.9
612	303	Sturge Hldgs 20p	321		†6.0	2.5	2.6	21.0
£12¼	645	Sun Alliance	858	+12	†23.5	—	3.7	—
£13	865	Sun Life 5p	980	−5	†28.5	—	4.0	—
£69¾	£36¼	¶Taisho M EDR	£43¼	+4½	q018%	—	1.0	—
£22¼	£12¾	Torchmark $1.00	£13¾		Q$1.00	—	3.9	—
410	295	Trade Indemnity	357		†4.3	—	1.6	—
£34	£17¾	Travelers $1.25	£20¼	+1	$2.28	—	6.2	—
£30¼	£15¼	USF & G Corp $2.50	£16¾	+½	Q$2.48	—	8.0	—
£33½	£15½	USLIFE Corp. $1.0	£16½	+1	Q$1.28	3.2	4.3	7.3
738	525	¶Utd Friendly B 10p	540	+10	21.0	—	5.3	—
464	192	Willis Faber 12½p	235	−4	†10.75	2.4	6.3	8.9
128	41	Windsor Secs. 10p	63	+2	†0.7	1.5	1.5	—

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

A selection of Options traded is given on the London Stock Exchange Report Page

Account Dealing Dates

First Dealings	Option Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

Profit-taking reverses early gains in equities and Gilts continue to weaken

LONDON TRIED, but failed, to extend its gains yesterday, despite the strong overnight lead from Tokyo and New York. A pause in the dollar's recovery checked the stock market's initial enthusiasm, and a mid-session gain of 20 FT-SE points, taking the index comfortably above the significant 1800 barrier, was replaced with a minor fall before the end of the day.

Market analysts remained cautiously optimistic, pointing out that profit-taking was not unexpected after two very strong trading sessions. Trading attention focussed around the **British Petroleum** issues, which made up around 22 per cent of the market total as the time limit for official support for the partly-paid stock expired. After taking out the BP business, institutional interest was clearly reduced from Tuesday's level.

An uncertain start on Wall Street finally unsettled London stocks at the close, when the FT-SE index was distorted by an incorrect price for Shell, a major constituent. After correction, the final reading on the FT-SE 100 Index showed a net fall of 2.5 at 1787.1 – the incorrect reading showed a fall of 6.4.

The market looked slightly uncertain at the start, when leading indices gave ground on the expectation of profit-taking ahead of the close tomorrow of the prolonged Christmas trading account. Some traders questioned whether Tokyo's huge overnight rise, which reflected local factors, had equal significance for international markets.

However, the market was quickly taken sharply higher by heavy trading in **British Petroleum** shares ahead of the 3.00pm deadline for the official support price of 70p for the "new" partly-paid shares.

Professional traders, who have been selling the "new" shares "short", were forced into the market to buy stock. With the *Kuwait Investment Office* a ready buyer for some weeks, there were few shares to be had, and the price quickly soared to 80p, rendering the official support price redundent. There was also heavy demand for the old *shares, and turnover in the two* BP issues amounted to 137m shares out of the market total of 607.5m shares traded by 5.00 pm yesterday.

Elsewehere, it was largely a case of early gains in the market leaders melting away towards the close. **ICI** held on to much of its initial rise but most of the other international favourites ended with minor losses.

Government bonds slipped lower, reflecting both the fall in sterling and also the market's reaction ahead of next week's auction of £1bn Treasury 8¾ 1997 stock. *The ten year maturity* issues fell by ⅜, while the longer dates were, unusally, down by a slightly less amount.

While there were signs that some marketmakers wanted prices lower ahead of the auction, it was noted that they were unable to depress the long bond futures price below the support level of 117-08. **BP** "old" and "new" shares were easily the most active counters in the equity market as the Bank of England's 70p safety net for the partly–paid was finally withdrawn at 3 pm.

Both classes of BP shares were up and running from the off amid numerous stories of a substantial bear squeeze in the stock, heavy buying by another single source, and talk that the KIO had moved in to buy BP "old" in order to drive up the price of the partly paid to prevent them being offered to the *Bank of England at 70p. At the* last official notification the KIO stake in BP was 18.34 per cent.

The "new" shares were aggressively bid up from the outset and the share price rose sharply to a peak 80p – one parcel of 1m went through at that level – before slipping back to end the session a net 4 up at 76p on a turnover of 113m. BP "old" attracted strong support, especially early in the day, and touched a high of 272p before ending the day only a penny up on balance at 264p; turnover topped 26m.

Britoil, where BP and America's Atlantic Richfield are battling for control, were relatively quiet and the shares settled unaltered at 446p after a turnover of 3.4m. ARCO, which announced it had upped its stake in Britoil to almost 22 per cent prior to Wednesday, were thought to have amassed a further 1m to 1.5m shares yesterday.

Heavy two-way buying boosted **British Gas** 1½ to 133p, after 136p, on a turnover that approached 20m – easily the biggest in Gas for some time.

***Clyde** highlighted the second-*liners and put on 3 to 118p, after 120p, as news that Norwich Union had lifted its stake by more than 2m shares to 12.8 per cent, or 19.56m shares, was accompanied by rumours that a full-scale bid is on the cards.

Ladbroke, the major UK hotels and leisure group whose interests include betting shops, moved against the market trend, the shares falling back late to close to close 17 lower at 332p amid strong rumours that the Office of Fair Trading is about to announce an inquiry into the betting industry.

Bass, which controls the Joe Coral betting office chain, were also affected and closed 8 down at 834p, while **Sears**, which includes the William Hill betting operation, shed 3 to 128p.

Coates Brothers' share listings were restored following details of the planned purchase of Lorilleux International, *French ink producer, from CDF* Chimie; on culmination of the £58.6m deal, CDF Chimie will hold some 40 per cent of Coates, which also makes inks and allied products for the printing industry.

Coates Ordinary shares were re-quoted at 353p and closed at 345p compared with a suspension price of 335p, while the *more widely-traded A shares* resumed at 318p and settled at 310p against a suspension price of 250p.

Banks included a number of outstanding performers, notably **Barclays** which jumped 14 to *502p following a buy recommen-*dation from securities house UBS Phillips and Drew and talk of switching into the stock from **Lloyds Bank**; the latter enjoyed a turnover of around 6.7m shares with a substantial amount of business transacted on the inter-dealer broking systems.

Standard Chartered raced up to close 33 higher at 528p – turnover here was 1.7m shares– amid vague takeover speculation.

Pearl Assurance, under threat from Australian group FAI which has picked up a 5.43 per cent stake in the group, fell away to close 12 off at 458p *reflecting* take-profits advice from BZW. **London and Manchester**, a prime bid target according to dealers, put on 5 to 275p.

General Accident added 16 to 844p reflecting talk of switching from **Legal and General**.Stake-building rumours helped **Royals** hold up well to close a shade *firmer at 429p. Brokers showed* **Willis Faber** under pressure late in the day and ending 4 down at 235p amid rumours of more staff defections.

Breweries again failed to attract business of a worthwhile nature and, among leading stocks, only **Guinness** nudged forward a few points to 301p. **Greenall Whitley** continued to *feature elsewhere, rising 6 fur-*ther to 209p on demand inspired by hopes of an impending takeover. **J.A.Devenish** were also bought and closed 5 higher at 307p.

Leading Buildings made modest progress in quiet trading. **Costain** continued to attract support on Trafalgar House bid hopes and closed 8 higher at 292p. **Tarmac** edged forward on institutional buying to close 6 dearer at 241p but **Magnet**, a rising market of late on takeover speculation, softened 6 to 207p. **John Mowlem** rose 13 to 317p in a restricted market and **Ibstock Johnsen** gained 7 to 153p following shareholders approval of the company's proposal to buy in its own shares.

ICI progressed to £11¾ prior to easing back to close ⅛ dearer on balance at £11⅝. Elsewhere *in the Chemical sector,* **Evode** attracted support at 164p, up 6, and **Wardle Storeys** advanced 20 more to 535p in a restricted market. **Plysu** responded to favourable comment in the Financial Times, rising 13 to 159p.

The stores sector, given a buffeting on Tuesday when many leading securities houses – most notably Citicorp Scrimgeour Vickers, Wood Mackenzie and Smith New Court– cut their profits forecasts, remained under pressure as other brokers moved quickly to reduce their own estimates.

Storehouse performed badly, closing 13 lower at 245p, while **Next** dipped 6 to 280p and **Dixons** 4 to 202p. **WH Smith "A"** fell 12 to 323p.

Sock Shop touched 220p immediately following the sharply increased preliminary profits – up from around £770,000 to £1.83m – but fell late in the session to close a net 8 off at 210p.

Activity in electricals was much increased and mainly centred on a handful of the leading issues. **Plessey** attracted a turnover of almost 9m shares and touched 164p before closing a net 7 higher at 161p as the **Guardian Royal Exchange** insurance group announced it had increased its holding in the company by 1.15m shares to 60.34m shares, or 6.823 per cent. **Cable & Wireless**, on a turnover of 7m shares, settled 4 higher at 364p, after 368p; press comment on a possible block to the group's US activities was said to have had little effect on sentiment which improved considerably with the rise in the dollar.

Burgess Group, heavily bought in recent weeks as bid speculation mounted, moved up a penny to 285p following the agreed merger with RHP group which will be effected via a share exchange deal.

Hawker, assisted by a Citicorp Scrimgeour Vickers (CSV) recommendation, were supported further and put on 8 more to 472p for a two-day rise of 19. CSV are advocating increasing the weighting in larger companies which offer higher quality earnings, better longer term prospects and stronger defensive qualities. Hawker are believed to meet these requirements and are also thought to be vulnerable to a bid.

Elsewhere in the Engineering sector, **VSEL Consortium**, a good market of late following a New Year tip, ran into profit-taking and reacted 10 to 470p. **Concentric**, in contrast, advanced 7 to 217p on a revival of sepculative interest, but **Birmid Qualcast** settled a few pence lower at 315p as Blue Circle extended its 300p per share cash offer.

Bid speculation kept certain food issues on the boil despite an overall lacklustre performance by the sector. **Cadbury Schweppes**, in which General Cinema of the US has a significant stake, added a penny more to 253p,after 256p, while **S. & W. Berisford** put on 7 to 323p. In the Retailing sector, **J. Sainsbury** added a penny more to 230p on current trading prospects, but **ASDA-MFI** softened a few pence to 169p; the latter's half-year figures are due on January 18 and Shearson Lehman, the securities house, estimates *pre-tax profits at £98m against* £86.1m. Shearson's full year profit estimate is £220m compared with the previous year's £192m.

Kennedy Brookes attracted support as operators digested *Ellermans Finance's increased* stake and the price responded with a gain of 11 at 254p.

Major international stocks continued to benefit from a fresh improvement in the dollar, but the lack of a further positive showing from Wall Street in the early dealings tended to dampen enthusiasm during the afternoon trading session and gains on the day were usually limited to a few pence or so. **Glaxo** finished below the best with a rise of ½ at £10⅛ while **BOC** edged up 5 more to 428p. **Hanson** were one of the more briskly traded stocks (some 13m shares changed hands) before settling 2 firmer at 137p. **Boots**, in contrast, gave up 8 to 241p in sympathy with a fresh setback in the Store sector which continued to reflect doubts about the outcome of the Christmas spending spree. **Unilever** also trended easier at 430p, down 12, amid vague rumours that the company may make a counter-bid for Sterling Drug of the US currently the subject of *an offer from Hoffmann-La* Roche.

The majority of other currency sensitive stocks ended the day on a dull note. **Reuters B**, up to 547p at one stage, reacted to close a few pence easier on balance at 539p while **British Aerospace** settled 5 lower at 343p after showing a small improvement initially. **Cookson** met with late offerings and closed 23 cheaper at 524p in the wake of rumours that Imetal Sa was attempting to sell a large *holding in the company.* **Burndene**, scheduled to reveal preliminary figures on January 18, advanced 13 to 146p, while **F.H. Tomkins**, annual results expected on Monday, were also noterworthy for a rise of 8 at 248p. **Nu-Swift** improved 3 to 281p *on* the announcement that Hawley Group had increased its stake in the company to 20.3 per cent.

Dowty** reacted swiftly* when one securities house sold stock which marketmakers found difficult to pass on. A series of inter-market transactions followed and the shares settled 11 down at 175p. Genuine investment *business was said to be negligi-*ble. Other Motor component issues met with better fortune and **FR Group** rose 9 more to 288p. Elsewhere, **ERF** responded to theories that the shares had fallen too far and spurted 16 to *213p, while* ***Western Motor picked up 18 further at 400p.

United Newspapers attracted fresh support and advanced 12 more to 452p while **Associated**, after marking time for most of the session, hardened 4 late to 472p awaiting today's preliminary statement. **Bunzl** made further headway to close 12 higher at 186p while increased annual profits lifted **Robert Horne** 10 to 390p. Still benefiting from Tuesday's interim trading report, **Brunning** put on 15 further to 235p. Irish-based **Jefferson Smurfit** jumped 25 to 350p.

The Property sector's recent good run faltered as selling developed late in the session. **Land Securities** finished 9 lower at 473p and **MEPC** ended a similar amount down at 453p. **British Land** shaded to 255p and **Great Portland Estates** lost 7 at 278p. **Slough Estates** reacted late to close 5 down at 253p.

A livelier business developed for certain Textiles. **Tootal** were one of several noteworthy candidates, up 5 at 113p, while **British Mohair** advanced 15 to 201p and **Drummond** 12 to 120p, the last named on the view that the stock has been overlooked since the October crash. **Jerome**, visited by analysts in the old year, were another on buyers' lists.

Miscellaneous trusts were, for once, sidelined and achieved only modest improvements generally. **Authority Investment** moved up 30 to 310p in a thin market while **National Home Loans** gained 6 to 148p.

Traded option contracts came out at 44,266. Calls amounted to 36,096 and puts stood at 8,170. **BP** attracted 4,159 calls and just 87 puts, while **British Gas** registered 6,354 calls, 3,793 in the January 135's. **Hanson** calls were 4,927 with puts at 1,019. **Plessey** calls were 4,504 and puts stood at 110. The **FTSE** contract attracted 1,803 calls and 963 puts.

Traditional Options

- **First dealings Jan 4**
- ***Last dealings Jan 15***
- **Last declarations Apr 7**
- ***For Settlement Apr 18***

For rate indications see end of London Share Service

Dealers reported a realively quiet day in the Traditional option *market. Stocks to attract moeny* for the call included **North Kalgurli, Acorn Securties, Morgan Grenfell, Dares Estates., Benjamin Priest, British Petroleum new, Aran Energy, Buckley's Brewery, NatWest, Jaguar and Cable and Wireless.** No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Jan. 6	Jan. 5	Jan. 4	Dec. 31	Dec. 30	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	87.76	88.37	88.47	88.49	88.69	84.57	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.39	94.72	94.61	95.07	95.08	90.74	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1438.0	1437.1	1402.0	1373.3	1408.0	1353.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	299.3	295.9	298.9	302.1	305.3	316.3	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.32	4.33	4.44	4.53	4.42	4.22				
Earnings Yld. %(full)	10.82	10.84	11.10	11.33	11.06	9.99				
P/E Ratio (net)(*)	11.33	11.31	11.04	10.82	11.09	12.29				
SEAQ Bargains (5pm)	29,026	27,878	17,944	15,800	16,546	35,831				
Equity Turnover (£m)	-	1022.55	448.38	431.74	774.07	1155.04				
Equity Bargains	-	28,000	17,165	16,723	17,909	48,494				
Shares Traded (ml)	-	414.8	246.0	214.0	272.7	479.2				

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1438.8	1440.8	1444.2	1447.9	1456.4	1457.7	1448.0	1446.1

Day's High 1458.9 Day's low 1436.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.21.

S.E. ACTIVITY

Indices	Jan. 5	Jan. 4
Gilt Edged Bargains	157.3	85.0
Equity Bargains	181.6	111.2
Equity Value	2066.8	906.3
5-Day average		
Gilt Edged Bargains	73.0	62.9
Equity Bargains	127.9	129.0
Equity Value	1379.3	1245.6

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (7).
AMERICANS (1) Primerica Inc., BANKS (1) Hill Samuel, ELECTRICALS (1) Electronic Rentals, HOTELS (1) Savoy "A", TRUSTS (1) Florento NV, MINES (1) Wit Nigel.

NEW LOWS (11).
ELECTRICALS (2) Admiral Computing, ITL Information Tech., INDUSTRIALS (4) Aberfoyle Hldgs., Alexander (W.), Doctus, Platon Intl., LEISURE (1) Zetters Leisure, TRUSTS (1) Ferguson (J.), OILS (2) Claremont Pet., Lennard Oil, MINES (1) Paringa Mining/Exploration.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,900	Enterprise Oil	344	Prudential	850
Allied-Lyons	2,200	Fisons	2,100	Racal	2,300
Amstrad	1,100	Gen. Accident	1,100	Rank Org.	727
Argyll Group	2,500	Gen. Elect	3,600	RMC	115
Assoc. Brit. Foods	90	Glaxo	3,400	RHM	283
BAA	798	Globe Investment	692	Reckitt & Col.	283
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	109	7
Corporations, Dominion and Foreign Bonds	1	18	31
Industrials	598	327	641
Financial and Properties	268	100	270
Oils	36	16	59
Plantations	0	1	5
Mines	77	19	100
Others	131	30	90
Totals	1,117	621	1,208

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Wednesday January 6 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Jan 5 Index No.	Mon Jan 4 Index No.	Thu Dec 31 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	747.78	+0.4	9.58	3.86	13.09	0.00	744.94	726.52	709.86	718.30
2 Building Materials (30)	988.61	+0.7	9.97	3.80	12.47	0.00	982.05	960.76	938.66	884.54
[illegible]	[illegible]									
99 ALL-SHARE INDEX (720)	908.21			4.13		0.00	907.74	886.50	870.22	854.67
FT-SE 100 SHARE INDEX ♦	1787.1	-2.5	1803.3	1796.6	1789.6	1747.5	1712.7	1759.8	1738.3	1722.2

FIXED INTEREST

[illegible]

♦Opening index 1788.9; 10 am 1792.9; 11 am 1797.1; Noon 1800.3; 1 pm 1807.7; 2 pm 1809.2; 3 pm 1799.9; 3.30 pm 1802.5; 4 pm 1796.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	Apr.	Jul.	PUTS Jan.	Apr.	Jul.
Allied Lyons (*361)	330	35	53	60	5	[illegible]	[illegible]
	360	14	35	42	17	[illegible]	[illegible]
	390	6	22	32	35	[illegible]	[illegible]
Brit. Airways (*159)	140	23	30	36	4	[illegible]	[illegible]
	160	8	18	25	9	[illegible]	[illegible]
	180	3	10	15	24	[illegible]	[illegible]
Brit. & Comm. (*334)	300	42	57	70	4	[illegible]	[illegible]
	330	15	35	50	15	[illegible]	[illegible]
[illegible]							

January 6 Total Contracts 44,266 Calls 36,096 Puts 8,170
FT-SE Index Calls 1,803 Puts 963
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm January 6

Sales	Stock	High	Low	Close	Chng
589	Un Corp	$41	40	41	+1
5000	Vulcan Ind	220	220	220	−5
800	Wajax A	$10¾	10½	10¾	+½
1900	Wcoast T	$17	16¾	17	+¼
6200	Westmin	$9⅛	9	9⅛	+½
500	Weston	$33	33	33	
19395	Woodwd A	$5	490	490	−10

!—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 5

Sales	Stock	High	Low	Close	Chng
102519	Bank Mont	$27⅜	26⅞	27	+¼
7685	BombrdrA	$07⅝	07¼	07⅜	+⅛
76290	BombrdrB	$07½	07⅜	07½	+¼
23350	CB Pak	$16	15⅝	15⅝	−⅛
48699	Cascades	$07	06⅝	06⅞	+⅛
10200	CIL	$27½	27¼	27½	+⅜
14500	ConBath	$18⅞	18⅝	18¾	
27234	DomTxtA	$17⅜	17	17	−⅛
14600	MntTrst	$12½	12½	12½	
54962	NatBk Cda	$11¾	11⅛	11¼	−1
73087	Noverco	$11¾	11⅛	11½	+¼
330620	Power Corp	$14⅝	14¼	14¼	−⅜
67735	Provigo	$08⅞	08½	08½	
8600	Repap Entr	$13⅜	13⅛	13¼	+¼
600	RollandA	$11	11	11	
46228	Royal Bank	$29½	28⅞	28⅞	
2725	SteinbrgA	$28½	27½	28½	+⅞
10642	Videotron	$09¼	08⅞	08⅞	−⅛

Total Sales 6,684,103 shares

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 29

Stock	Sales (Hnds)	High	Low	Last	Chng
UnvHlt .33e 44	211	4⅞	4⅝	4⅞	+ ⅛
UnvMed .30 9	172	4 9-16	4 7-16	4 7-16	

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Barclays	502	+	14
Brunning Group	235	+	15
Bunzl	185	+	12
Burndene Inv.	146	+	13
Costain	232	+	8
Drummond	120	+	12
E.R.F.	213	+	16
Kennedy Brookes	254	+	11
Mowlem (J.)	423	+	25
Standard Chartered	528	+	33
United Newspapers	432	+	12
Zygal Dynamics	105	+	8

FALLS

Treas. 8¾% 1997	£...	−	...
Boots	241	−	6
Cookson	333	−	24
Dowty	175	−	11
GKN	247	−	14
Ladbroke	332	−	17
Lucas Industries	473	−	9
MEPC	453	−	9
Pearl Group	455	−	15
Storehouse	245	−	13
VSEL	470	−	10

TOKYO - Most Active Stocks
Wednesday January 6 1988

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Indices

NEW YORK DOW JONES

	Jan. 5	Jan. 4	Dec. 31	Dec. 30	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	2031.50	2015.25	1938.83	1950.10	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.17	86.92	86.69	86.64	95.51 (9/2/87)	81.26 (19/10/87)	—	—
Transport	780.29	773.43	748.86	754.43	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	183.56	180.36	175.08	174.25	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2075.27 (2030.01) Low 2021.39 (1950.76)

STANDARD AND POOR'S	Jan. 5	Jan. 4	Dec. 31	Dec. 30	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	258.63	255.94	247.08	247.86	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	299.05	295.70	285.86	286.95	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.77	22.53	21.63	21.72	32.43 (25/8/87)	20.39 (7/12/87)	32.45 (25/8/87)	8.64 (1/10/74)
NYSE Composite	144.54	142.90	138.23	138.52	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (28/4/42)
Amex Mkt. value	272.77	266.74	260.35	257.35	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	344.07	338.40	330.47	329.70	455.26 (26/8/87)	291.90 (28/10/87)	455.26 (26/8/87)	54.87 (31/10/72)

	Dec. 31	Dec. 24	Dec. 18	year ago (approx.)
Dow Industrial Div. Yield	3.57	3.46	3.50	3.48

	Dec. 16	Dec. 9	Dec. 2	year ago (approx.)
S & P Industrial div. yield	3.13	3.24	3.86	2.94
S & P P/E ratio	15.88	15.25	14.73	17.99

TRADING ACTIVITY † Volume

Millions	Jan. 5	Jan. 4	Dec. 31
New York	211.299	182.106	170.240
Amex	15.331	10.930	19.951
OTC	149.489	110.817	160.401

NEW YORK	Jan. 5	Jan. 4	Dec. 31
Issues Traded	1,965	1,967	1,982
Rises	1,288	1,584	805
Falls	395	190	744
Unchanged	287	193	433
New Highs	17	10	3
New Lows	5	5	31

CANADA

TORONTO	Jan. 5	Jan. 4	Dec. 31	Dec. 30	1987-88 High	1987-88 Low
Metals & Minerals	2730.1	2780.4	2690.0	2708.7	3587.5 (5/10/87)	1908.2 (2/1/87)
Composite	3238.0	3219.0	3160.1	3168.1	4112.9 (13/8/87)	2803.9 (10/11/87)
MONTREAL Portfolio	1637.71	1631.96	1584.77	1602.92	2224.77 (16/7/87)	1435.90 (26/10/87)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Sterling Drug	3,725,600	74⅜	+ 17¼
Archer-Daniels	3,255,300	20½	− 1⅛
Exxon	2,230,700	40¾	+ ¾
DuPont	2,211,300	88¾	− ¼
IBM	2,169,000	121⅞	+ 1½
Union Carbide	2,146,100	22⅝	+ ⅛
American Express	1,990,400	24⅝	+ ⅜
Baxter Lab	1,757,500	24	+ ⅝
AT&T	1,722,800	28½	+ ¼
Pfizer	1,597,300	52⅝	+ 4

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Metals — 500; (c) Closed.(u) Unavailable.

Financial Times Thursday January 7 1988

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg.
21½	7¼	Wickesn			4	2017	11⅞	11¼	11½	−⅛
10⅞	2½	Wick wt				118	5½	5⅛	5¼	−⅜
32¼	17⅝	Wick pfA2.50		12.		78	21	20½	20½	
10¾	3¾	Wilfred .12		2.8	71	40	4¼	4¼	4¼	
28⅝	10	WillcG s .11		.7	18	342	16⅛	15⅞	16	+⅛
37⅞	19¾	WilliamI.40		5.5		986	25¾	25	25⅜	−⅛
8½	4¾	WilshrO				17	5½	5⅜	5½	−⅛
17¾	3¼	Winchel.05e			22	382	4⅞	4¼	4⅞	+⅝
8	1½	Winjak.16e		7.5		11	2¼	2⅛	2⅛	−⅛
52	37½	WinDix1.86		4.4	15	280	43⅞	42¼	42¼	−1⅝
15⅞	7	Winnbg .40		4.6	15	280	8⅝	8½	8⅝	+⅛
4	1¼	Winner				411	3⅛	2½	3	+½
28⅞	21	WisEn s1.44		6.1	9	744	23¾	23⅜	23⅝	+¼
28	25¾	WisG pf2.55		9.4		2	27¼	27¼	27¼	+¼
54⅜	42½	WiscPL3.12		7.1	10	132	44¼	43¾	44	−¼
28⅞	18⅞	WisPS s1.54		7.4	10	236	21¼	20⅞	20⅞	−⅛
47⅝	28⅝	Witco 1.28		3.8	12	293	34½	34	34	
16½	9	WolvTc .20		1.8	8	21	11¼	11	11	
14	7½	WolvrW			59	219	10	9¾	10	+¼
59⅝	29½	Wlwth s1.32		3.5	10	3100	37½	36¼	37½	+½
9⅞	4⅛	WrldCp				80	7	6⅞	6⅞	−⅛
19⅞	10⅝	WrldVl				138	12¾	12½	12½	−¼
81⅜	38	Wrigly 1.04e		1.3	25	684	u81¾	77¾	80½	+2⅝
3⅝	1	Wurltzr				33	1⅝	1¼	1¼	−⅛
17½	7	WyleL s .28		2.2	24	81	12¾	12⅜	12½	+⅛
30⅝	14½	Wynns .60		3.4	14	86	18	17½	17⅞	
		X Y Z								
85	60	Xerox 3		4.9	13	5044	62¼	60⅝	61⅛	+⅜
58¼	52½	Xerox pf5.45		10.		1166	53⅝	53½	53½	
31⅛	19⅛	XTRA .64		2.6	16	38	24⅜	23½	24¼	+⅝
28¼	19½	XTRA pf1.94		8.1		217	24	23⅝	24	+½
33⅞	16¾	Yorkin			10	53	24⅞	24¾	24⅞	+⅛
7¼	2¼	Zapata				183	2⅞	2¾	2⅞	+⅛
37	13½	Zayre .40		2.3	6	6529	17⅛	15⅝	17⅛	+1½
16⅛	8¾	Zemex .40		4.1	9	10	9¾	9⅝	9¾	+⅛
33⅝	10	ZenithE				934	15¾	15⅛	15½	−⅛
13½	2½	ZenLab				1377	3¼	3	3⅛	−⅛
26¼	13½	ZenNtl .80		5.1	8	59	15¾	15¼	15¾	+¼
20⅝	11⅛	Zero .36		2.3	15	91	15½	15¼	15½	+¼
30¾	15	Zurnin s .68		3.3	14	259	21	19¾	20⅞	+1⅛
10⅝	7⅝	Zweig 1.08e		12.		x573	9⅛	9⅛	9¼	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued on Page 27

FINANCIAL TIMES Thursday January 7 1988

AMERICA

Dow cools amid continuing fears on $ and trade

Wall Street

US EQUITIES hovered around Tuesday's closing levels yesterday, despite another jump in the dollar as investors took the opportunity of sharp rises this week to take some profits, *writes Janet Bush in New York.*

At 2pm, the Dow Jones industrial average stood 1.49 points higher at 2,032.90.

Volume in the morning session was relatively subdued.

Bonds had given up substantial ground by midsession, with the Treasury's benchmark 8.875 per cent 30-year issue down just over a full point, yielding 8.95 per cent.

The dollar continues to loom large in market thinking. However, US securities markets have moved substantially higher in a very short time and despite the gains there is still a measure of post-crash caution about pushing prices too much higher.

Much of the latest upward movement in the dollar happened in Japan and morning European trading where it touched highs of Y131.90 and DM1.6700. However, during the morning session in New York, the dollar had started slipping back and was quoted around midsession at Y129.80 and DM1.6505.

There is some concern in both bond and equity markets about how long the current rallies can last given an apparent lack of *retail interest. In the stock market*, there have been reports of some foreign buying but this has been only selective and a good *proportion of the buying activity* seems to have been professional.

In the bond market, yesterday's decline seems to reflect a *lack of retail follow-through* despite the dollar's 10-yen rally this week.

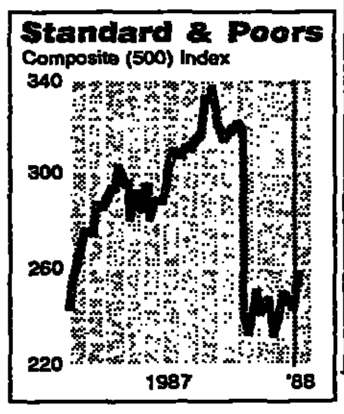
There are several fundamental *reasons for caution in the bond* market. One is the rally in commodity prices this week, which includes crude oil. Another is uncertainty prior to publication of the latest US trade figures at the end of next week, with rumours already beginning to surface about what the numbers will reveal.

It is a little early to take speculation seriously, but one figure being discussed in markets currently is a deficit of $14.5bn. Elsewhere, one major US bank is thought to be looking for a $13bn deficit.

There is also some caution about Friday's US unemployment and retail sales figures with some market talk of a stronger than expected jobs number. The bond market is aware that the economy was growing very fast when the October crash happened; so far at least, figures do not suggest a *marked slow-down in economic* growth since.

A further level of uncertainty was added to the bond market yesterday by the Treasury's seven-year note auction with some worry about how the sale will go, given the apparently low *level of retail interest.*

Featured stocks yesterday included NEOAX after news of the custom car company's



$17.50-a-share tender offer for IU International Corp, the trucking and waste management concern. IU's stock jumped $4¼ to $18¼ *after the news. NEOAX rose $¼* to $10.

Charles Schwab, the discount broker, rose $⅛ to $6½ and Lotus *Development Corp gained $⅞ to* $33⅝ after the companies announced an agreement in which Charles Schwab will mar*ket two Lotus real-time market* quotation products to independent investors.

High Voltage Engineering rose $1¼ to $14⅝ after news that Hyde Park Partners had written to the company saying it might be prepared to sweeten its $15.25-a-share offer for its outstanding stock.

ATT slipped $¼ to $28¼ after news that it intends to buy a 20 per cent stake in Sun Microsystems. Sun Micro's stock jumped $3 to $37½.

Computer Consoles added $½ to $5½ after the company said it had extended an agreement with Unisys for another three years, under which its superminicomputer systems will be marketed by Unisys.

Proctor & Gamble slipped $¾ to $85¾. The company announced yesterday it had reached agreement with Alcide Corp giving it exclusive worldwide rights to develop and market oral care products using Alcide's technology.

CMS Energy slipped $⅛ to $14⅝ despite news that its oil and gas exploration subsidiary, Northern Michigan Exploration, had made a second significant oil *discovery in Ecuador.*

Canada

TORONTO saw smaller gains *than the previous session, but* leadership remained with oils, gold and industrials.

Most active was Toronto Sun Publishing, dropping by C$1 to C$20. Among other actives, both Northern Telecom and Cominco put on C$⅛ to C$24⅛ and C$14⅝ respectively.

Gold shares generally climbed, however, with Lac Minerals putting on C$⅜ toC13½ and Placer Dome gaining C$¼ to C$20¼. Among blue chips, Seagram added C$½ to C$74¾ in the *midst of its takeover bid for* French cognac maker Martell.

Montreal and Vancouver edged up.

SOUTH AFRICA

CONFIDENCE returned in moderate Johannesburg trading, allowing gold share prices to close higher, with bullion steady following previous nervousness about uncertain currency markets abroad.

Despite the absence of a number of institutions restricting volume, the expected revival of interest in industrials continued, confirmed by a leap of 51 points in the industrial index, bringing it to 1,547, the highest since November.

Vaal Reefs, strongest among the gold stocks, regained some of its R15 loss on Tuesday, putting on R7 points to close at R347. Randfontein added on R2.50 to R282 and Southvaal rose R3.50 to R156.50.

Among industrials, Barlow Rand put on R1.75 to R22, South African Breweries stayed on R18 and Sasol gained 50 cents to R8.40, not achieved since early December.

Laura Raun in Amsterdam reports that a new trend in takeovers and mergers could enliven dealings on the Dutch bourse

Hopes of good hunting on a dull market's horizon

TAKEOVER plans announced yesterday by Ahold could be part of a trend towards more mergers and acquisitions by Dutch companies which may prove a bright spot in an otherwise gloomy outlook for the Amsterdam stock exchange this year.

Share trading in the Netherlands' biggest grocery store chain was suspended before the announcement that Ahold intended to acquire an initial 80 per cent of First National Supermarkets of the US.

In the publishing sector, VNU, the country's leading publisher, kicked off the new *year with plans to launch a* friendly takeover of Audet, a smaller Dutch publisher, in a bid to strengthen its newspa*per operations. Since the* announcement on December 29 Audet's share price has jumped 50 per cent to around Fl 242.50. VNU has remained stable at about Fl 60 a share.

The expected VNU-Audet merger follows a hostile takeover battle among Dutch publishers last summer, the bitterest such feud in years. The clash, which resulted in the merger of Wolters Samsom and Kluwer, lifted the Amsterdam stock market out of its summer doldrums and dashed complacency over takeover threats.

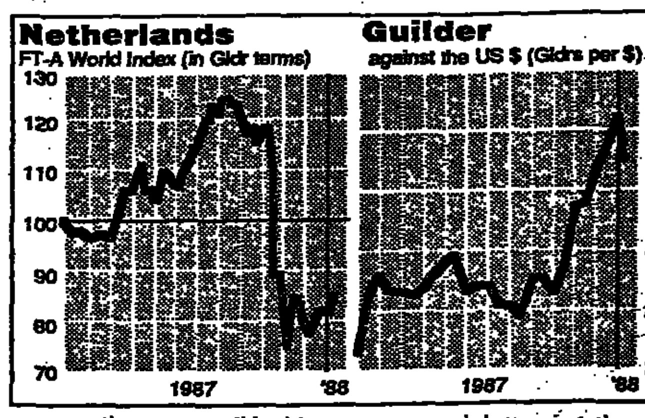
Anti-takeover defences are so strong and pervasive among Dutch companies that very few hostile bids have been attempted in the past.

But that could be changing amid fresh concern over exces*sively protective measures*, cheap bourse prices in the wake of the global crash on October 19, the strong Dutch guilder, ample corporate liquidity and lower interest rates.

"With virtually no growth in Europe, or the world for that matter, the most sensible thing to do is to take over the competition," *explains Mr Fokko* Tuin, chief securities analyst for Kempen & Co.

"One plus one often equals three. You're cutting overhead costs and increasing the efficiency of capacity utilisation and you can sell surplus capacity."

Stock analysts in Amsterdam almost unanimously agree on a dismal outlook for the market.



Corporate earnings growth is seen ranging from a modest 5 per cent rise to a 1 per cent decline. Dutch output is forecast to rise only slightly, if at all, while consumer spending, business investment and world trade all are slowing down.

Mr Tuin also believes that corporate raiders could become more active in the Dutch market, buying share stakes with the aim of pushing up the share price rather than acquiring the company. "But you still have to do it in a company where you will not regret the stake – in solid, quality companies."

Most analysts are urging a flight to quality to weather the storm, advising investors to look for sound companies, healthy balance sheets and good dividend yields.

Mostly to blame for the bleak outlook is the record-low dollar, which is eating into Dutch exports and shrinking revenue from abroad. Analysts recommend sectors that are less vulnerable to the dollar and economic downturns such as publishing, consumer foods, paper and board, and construction.

Holland's iron-clad takeover defences could also start crumbling if the Amsterdam Stock Exchange officially recommends curbs on them.

Mr Jan van Lamoen, an analyst for Mees & Hope, a leading Dutch merchant bank, sees no wave of merger and acquisition activity but he concedes that the cheap dollar and weak economy could prompt more takeovers.

A colleague at Pierson, Heldring & Pierson, Mr Fred Vergunst, is more sceptical about the microeconomic advantages of mergers, especially among companies operating domestically.

EUROPE

Profit-taking absorbed in fresh advance

AS THE DOLLAR continued its sharp rally, bourses across Europe pursued their gains, although in somewhat less ebullient manner. Italian, Spanish and Swedish markets were closed for the Epiphany holiday.

FRANKFURT moved higher despite some early profit-taking as local investors took further heart from the dollar's rise to a *fix of DM1.6460 and from gains* in New York, London and Tokyo.

The FAZ index closed 3.96 higher at 423.13. Turnover *remained at Tuesday's moderate* levels despite holidays on several German bourses.

Cars again surged forward, although gains were less spectacular, with BMW up DM6.50 at DM487 and Daimler adding DM17 to DM590.

In chemicals, Bayer was given a fillip by news that it was assessing the F. Hoffmann-La Roche bid for Sterling Drug of the US. It rose DM4 to DM268 while Hoechst added DM2.80 to DM255.30.

Among other leaders, Deutsche Bank was up DM15 at DM409 and Siemens gained DM6.50 to DM369, but Nixdorf shed DM2.50 to DM581.50.

Bonds fell sharply as the dollar rose rapidly.

PARIS was again boosted by the stronger US currency and by Tuesday's interest rate cuts, with the CAC General index adding 3.7 to 286.7 amid signs of resistance around 290. Trading was fairly active.

One of the biggest rises was made by Cie Bancaire, up FFr31 at FFr380, or more than 9 per cent. Food and drink stocks made further gains, with Perrier rising FFr32 to FFr646 and BSN adding FFr25 to FFr4,430.

Oil stock Elf Aquitaine rose FFr10 to FFr241 after extending its bid for Tricentrol of the UK.

ZURICH edged up in cautious but reasonably active trading on the dollar's gains. The Credit Suisse index ended 3.8 higher at 429.3.

In the chemical sector, Roche bearer shares rose SFr5,000 to SFr190,000 on its proposed takeover of Sterling Drug, but other stocks were little changed.

AMSTERDAM managed to absorb a bout of profit-taking to close slightly higher, with the CBS all-share trend index up 0.2 at 71.5.

Trading in grocery chain Ahold was suspended at Fl 65.50 for its announcement of a bid for First National Supermarkets of the US.

BRUSSELS built on Tuesday's gains with a 71.15 climb in the stock index to 3,773.42. In active trading, Reserve, the stock of Societe Generale de Belgique, added BFr150 to BFr2,550 as 75,000 shares changed hands.

OSLO was lifted again by the dollar, optimism about local corporate results for 1987 and steady North Sea oil prices. The all-share index gained 8.17 to 268.40.

London

UK EQUITY traders decided to take profits after two successful sessions and the FT-SE 100 index, which had bounded ahead at first, ended 2.5 off at 1,787.1.

London starts options on European equities

DEALERS in London will be able to trade options on European shares for the first time today as contracts on three French shares are listed on the International Stock Exchange, *writes Clare Pearson in London.*

It is hoped the contracts, on ordinary shares of Peugeot, Elf Aquitaine and St Gobain, will be the first in a series based on European equities.

The introduction of contracts on the three shares, all quoted on the Stock Exchange's screen-based quotation system, Seaq International, was originally planned for November 5 last year but had to be delayed following the October crash.

Options on Elf Aquitaine and Peugeot are already listed on the Paris bourse. But the Stock Exchange in London says the new contracts should complement them because they will be aimed more at the institutional investor and their terms will be different.

Like the Paris contracts, the London options are for 100 shares each, with strike prices and premiums being quoted in French francs. But they will trade on a cycle beginning in February each year, one month earlier than the Paris contracts. Additionally there are differences in expiry dates and hours of trading.

ASIA

Rule change sends Nikkei soaring

Tokyo

NEWS THAT the Ministry of Finance would relax accounting rules for the popular Tokkin investment funds sent Tokyo share prices soaring yesterday in the market's second biggest single day gain ever, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average jumped 1,215.22 points from Tuesday, or 5.6 per cent, to 22,790.50. The largest single session rise was 2,037.32 points on October 21, just after the global stock market crash.

Volume swelled yesterday to 983m shares from Tuesday's 459m. Advances far outpaced declines by 849 to 101, with 51 issues unchanged.

The huge bout of buying was sparked by news that the ministry would ease the rules for assessing the assets of institutional investors in Tokkin funds for the current fiscal year ending on March 31, a move designed to cope with declines in stock prices in the past few months.

Another encouraging factor was the dollar's continued advance on Japanese and overseas currency markets. In Tokyo, the US currency extended its rising streak against the yen, climbing to Y128.50 before closing at Y127.13, up Y2.33 from the previous day's close.

On the trading floor, Sumitomo Heavy Industries topped the active list with 86.43m shares changing hands, and surged Y46 to Y509. Fujitsu was the second busiest issue with 62.39m shares traded and leaped Y120 to Y1,480, while Japan Synthetic Rubber, with 38.27m shares, closed Y80 higher at Y1,180.

High-technology stocks attracted strong buying interest, helped by the dollar's continued rise and buying by foreign investors.

Hitachi, the third most active stock with 47.81m shares, jumped Y120 to Y1,330. NEC added Y190 to Y2,160, Matsushita Electric Industrial Y210 to Y2,330, Pioneer Y180 to Y2,960 and Fanuc Y450 to Y5,870. NTT ended Y180,000 higher at Y2.3m.

Financial issues performed strongly. Mitsubishi Trust and Banking, Nomura Securities and Daiwa Securities scored maximum allowable single-day rises. Mitsubishi Trust and Nomura added Y400 each to Y2,900 and Y2,960 respectively, while Daiwa finished Y300 higher at Y1,850.

Bond prices moved erratically. The market got off to a weak start as some dealers sold, discouraged by the dollar's rise. Later, however, buying on a dip set in, pushing up bond prices.

The yield on the benchmark 5.0 per cent government bond, falling due in December 1997, rose to 4.575 per cent in early morning trading from 4.450 per cent at Tuesday's close. The yield then moved violently, falling to 4.505 per cent before finishing at 4.510 per cent.

Buying interest was also strong on the Osaka Securities Exchange (OSE), driving share prices sharply higher.

The 250-issue OSE stock average also posted the second biggest single-day rise of 1,127.30 to 22,838.98 on an estimated volume of 129m shares, an increase of 70m shares from Tuesday.

Nintendo soared Y550 to Y8,570, while Fujitsu General recorded a daily limit gain of Y100 to Y905.

Hong Kong

THE SHARP rise in Tokyo triggered price increases from the start, bringing the Hang Seng index to close for the second day running at its session high of 2,463.02, up 59.8.

Foreign institutions appeared to be buying again.

Utility and property shares led the rise with Hong Kong Telephone up 60 cents at HK$16.10 amid interest in the company's merger with Cable & Wireless.

In banking, Bank of East Asia put on 20 cents to HK$18.60 and Hang Seng Bank was up 10 cents to HK$28.20.

Australia

MODERATE trading and increased confidence generated by the London and Wall Street gains left the market closing near the day's highs, although golds eased because of uncertainty over bullion's future.

The All Ordinaries index closed 13.8 points higher at 1,323.1.

In industrials, BTR Nylex led, putting on 80 cents to A$7, with market expectations that BTR and Pratt Group would succeed in their bid for ACI, up 3 cents at A$4.15, or 16 cents above the Pratt/BTR offer price.

Singapore

AN AFTERNOON surge consolidated a fourth consecutive day of sharp increases, with active buying by both small investors and institutions encouraged by good overseas news.

Blue chips and quality stocks achieved double figure rises although strongest interest centred on second line, low priced issues and situation stocks. The Straits Times Industrial index climbed 26.72 to 906.04, a rise of just over 3 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the *Institute of Actuaries* and the *Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 5 1988					MONDAY JANUARY 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	103.24	+0.6	83.64	95.79	4.68	102.61	81.09	94.52	180.81	85.36	103.26
Austria (16)	95.51	−2.7	77.37	80.94	2.59	98.18	77.59	80.96	102.87	85.53	98.11
Belgium (48)	102.07	+0.8	82.70	85.84	5.52	101.28	80.04	83.30	134.89	94.63	97.50
Canada (127)	113.83	+0.7	92.22	106.87	2.91	113.01	89.31	106.18	141.78	98.15	102.18
Denmark (38)	113.40	−0.9	91.87	96.51	3.07	114.44	90.44	94.98	124.83	98.18	99.87
Finland (23)	*110.39*	−2.9	89.43	91.81	1.62	113.63	89.80	93.34	–	–	–
France (124)	85.40	+0.6	69.19	73.71	4.02	84.90	67.09	71.35	121.82	77.39	101.48
West Germany (94)	73.91	+1.2	59.88	62.52	2.98	73.03	57.72	60.18	104.93	68.91	100.32
Hong Kong (46)	92.21	+4.6	74.71	92.17	5.38	88.15	69.67	87.91	158.68	73.92	101.10
Ireland (14)	106.38	+1.7	86.19	91.90	4.93	104.60	82.67	88.18	160.22	93.50	101.32
Italy (94)	76.47	−0.6	61.95	68.39	2.80	76.91	60.78	67.14	112.11	72.04	*100.87*
Japan (457)	133.61	−2.3	108.25	107.18	0.65	136.69	108.02	106.06	161.28	100.00	102.24
Malaysia (36)	116.51	+4.1	94.39	112.67	3.24	111.87	88.41	107.45	193.64	93.76	99.07
Mexico (14)	103.35	−2.9	83.73	253.68	1.40	106.43	84.11	258.91	422.59	99.72	102.37
Netherland (37)	102.29	+2.9	82.87	85.39	5.27	99.37	78.53	80.84	131.41	87.70	101.44
New Zealand (24)	75.62	−0.3	61.27	61.47	5.35	75.88	59.96	61.28	138.99	73.39	99.61
Norway (24)	107.23	+3.5	86.87	91.94	2.97	103.60	81.88	87.54	185.01	95.51	103.60
Singapore (26)	103.86	+6.0	84.14	96.22	2.52	97.99	77.44	90.40	174.28	81.21	100.87
South Africa (61)	133.03	−1.0	107.77	90.88	4.69	134.38	106.20	91.09	198.09	100.00	103.41
Spain (43)	132.84	+1.5	107.62	111.51	3.78	130.85	103.41	107.56	168.81	100.00	105.28
Sweden (34)	100.22	+3.0	81.20	87.54	2.61	97.35	76.93	83.55	136.64	88.50	101.02
Switzerland (53)	82.32	+1.3	66.69	67.70	2.45	81.24	64.20	64.72	111.11	73.65	101.97
United Kingdom (331)	134.74	−0.1	109.16	109.16	4.27	134.92	106.63	106.63	162.87	99.65	100.19
USA (589)	105.22	+1.1	85.25	105.22	3.51	104.09	82.26	104.09	137.42	91.21	104.58
Europe (973)	104.52	+0.5	84.68	87.10	3.89	104.04	82.22	84.55	130.02	92.25	100.71
Pacific Basin (682)	130.81	−2.0	105.97	105.94	0.89	133.49	105.50	104.74	158.77	100.00	102.21
Euro-Pacific (1655)	120.36	−1.2	97.51	98.37	1.94	121.77	96.23	96.64	143.65	100.00	101.61
North America (716)	105.68	+1.1	85.62	105.33	3.48	104.56	82.63	104.22	137.55	91.68	104.46
Europe Ex. UK (642)	85.80	+1.0	69.51	73.19	3.54	84.92	67.12	70.63	111.97	78.89	100.87
Pacific Ex. Japan (225)	96.98	+2.2	78.57	91.26	4.80	94.92	75.02	88.85	164.03	82.92	101.90
World Ex. US (1857)	120.26	−1.1	97.43	98.69	2.00	121.60	96.10	97.01	143.38	100.00	101.65
World Ex. UK (2115)	112.42	−0.4	91.08	99.99	2.33	112.82	89.16	98.61	138.82	100.00	103.06
World Ex. So. Af. (2385)	114.28	−0.3	92.59	100.91	2.52	114.66	90.62	99.40	139.47	100.00	102.80
World Ex. Japan (1989)	*105.21*	*+0.9*	85.24	98.22	3.69	104.31	82.43	96.49	134.22	92.98	103.08
The World Index (2446)	114.40	−0.3	92.69	100.87	2.54	114.79	90.72	99.37	139.73	100.00	102.81

Base values Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

Market closed January 4 : New Zealand

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